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SURFACE
TRANSPORTATION BOARD
THOMAS F. McFARLAND

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April 6, 2004

By UPS overnight mail

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Public Record

Vernon A. Williams, Secretary
Surface Transportation Board
Case Control Unit, Suite 713
1925 K Street, N.W.
Washington, DC 20423-0001

Re: STB Docket No. AB-868X, *Mississippi Tennessee Holdings, LLC* -- 210520
Abandonment Exemption -- in Union, Pontotoc and Chickasaw Counties, MS

STB Docket No. AB-869X, *Mississippi Tennessee Railroad, LLC* -- 210521
Discontinuance of Service -- in Union, Pontotoc and Chickasaw Counties, MS

Dear Mr. Williams:

Enclosed please find an original and 10 copies of Joint Petition For Exemption From 49 U.S.C. § 10903 For Abandonment And Discontinuance Of Service, for filing with the Board in the above referenced matter.

Also enclosed is a check in the amount of \$9,400 for the filing fee.

Kindly acknowledge receipt by date stamping the enclosed duplicate copy of this letter and return in the self-addressed stamped envelope.

Very truly yours,

Tom McFarland

Thomas F. McFarland
Attorney for Petitioners

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TRANSPORTATION BOARD

ORIGINAL

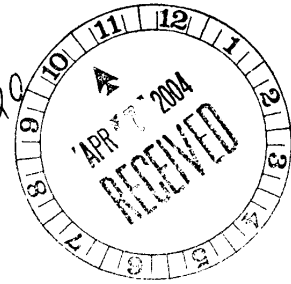
BEFORE THE
SURFACE TRANSPORTATION BOARD

MISSISSIPPI TENNESSEE HOLDINGS,)
LLC -- ABANDONMENT EXEMPTION --)
IN UNION, PONTOTOC AND)
CHICKASAW COUNTIES, MS)

DOCKET NO. AB-868X

MISSISSIPPI TENNESSEE RAILROAD,)
LLC -- DISCONTINUANCE OF SERVICE)
EXEMPTION -- IN UNION, PONTOTOC)
AND CHICKASAW COUNTIES, MS)

DOCKET NO. AB-869X



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JOINT PETITION FOR EXEMPTION FROM 49 U.S.C. § 10903
FOR ABANDONMENT AND DISCONTINUANCE OF SERVICE

MISSISSIPPI TENNESSEE HOLDINGS, LLC
102 Willow Drive
P.O. Box 99
O'Fallon, IL 62269

Petitioner

MISSISSIPPI TENNESSEE RAILROAD, LLC
200 North Railroad Ave.
New Albany, MS 38652

Petitioner

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Date Filed: April 7, 2004

Docket No. AB-868X & AB-869X
Petition for Exemption

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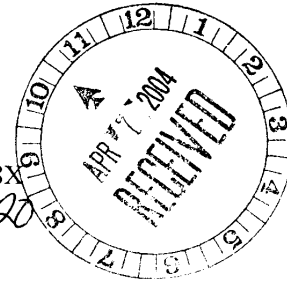
**SURFACE
TRANSPORTATION BOARD**

BEFORE THE
SURFACE TRANSPORTATION BOARD

MISSISSIPPI TENNESSEE HOLDINGS,)
LLC -- ABANDONMENT EXEMPTION --)
IN UNION, PONTOTOC AND)
CHICKASAW COUNTIES, MS)

DOCKET NO. AB-868X

2/0520



MISSISSIPPI TENNESSEE RAILROAD,)
LLC -- DISCONTINUANCE OF SERVICE)
EXEMPTION -- IN UNION, PONTOTOC)
AND CHICKASAW COUNTIES, MS)

DOCKET NO. AB-869X

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**JOINT PETITION FOR EXEMPTION FROM 49 U.S.C. § 10903
FOR ABANDONMENT AND DISCONTINUANCE OF SERVICE**

**SURFACE
TRANSPORTATION BOARD**

Pursuant to 49 C.F.R. § 10502(a) and 49 C.F.R. § 1152.60, MISSISSIPPI TENNESSEE HOLDINGS, LLC (Holdings) hereby petitions for an exemption from 49 U.S.C. § 10903 for abandonment of a 43.2-mile rail line extending between Milepost 324.2 south of New Albany, MS (approximately ¼-mile south of Interstate Highway 78) and the end of the line at Milepost 281.0 south of Houston, MS, in Union, Pontotoc and Chickasaw Counties, Mississippi ("the south segment"). Pursuant to the same provisions of law, MISSISSIPPI TENNESSEE RAILROAD, LLC (Railroad) hereby petitions for an exemption from 49 U.S.C. § 10903 for discontinuance of its rail service over the south segment. Holdings and Railroad are commonly controlled. *See Gregory B. Cundiff, et al. -- Continuance in Control Exemption -- Mississippi Tennessee Holdings, LLC and Mississippi Tennessee Railroad, LLC*, Finance Docket No. 34356, notice served June 12, 2003 (not printed). Holdings owns the south segment. Railroad operates the south segment pursuant to agreement with Holdings.

**EXPLANATION FOR SEEKING ABANDONMENT TEN
MONTHS AFTER ACQUISITION OF THE SOUTH SEGMENT**

The south segment is part of an 87.7-mile rail line that extends between Middleton, TN and Houston, MS. Holdings acquired that line from Mississippi Tennessee Railnet, Inc. at the end of May, 2003. *Mississippi Tennessee Holdings, LLC and Mississippi Tennessee Railroad, LLC -- Acq. & Oper. Exempt. -- Rail Lines of Mississippi & Tennessee Railnet, Inc.*, Finance Docket No. 34355, decision served June 12, 2003 (not printed). Railroad began to operate the line at the beginning of June, 2003.

When Holdings acquired the line, there was a reasonable expectation that operation of the south segment would be profitable. Although it was not making rail shipments at that time, Packaging Corporation of America (PCA) in years past had shipped more than 2,300 carloads of logs per year by rail from its yard on the south segment just north of Houston, MS. Holdings had reason to believe that it would be able to resurrect that rail movement with imaginative rate and service terms. Holdings provided an acceptable rate and a daily switching time that met PCA's requirements, but PCA declined to ship by rail because it was unable to reach a satisfactory agreement with a third party log loading operator at its yard. At that point, PCA advised Holdings that it was not feasible for PCA to ship by rail from the south segment at any time in the future (see the verified statement (V.S.) of Randy Cundiff attached as Appendix 1, at 1-2).

In addition to failing to attract the high-volume PCA traffic as hoped, the rail traffic of International Paper Company (IP) received at its plant on the south segment at Houston, MS declined precipitously. Whereas IP received between 650 and 700 carloads per year in the years prior to Holdings' acquisition, IP received only 273 carloads during the first nine months of

Railroad's operation. That was a pace that would result in receipt of about 360 carloads per year, or little more than half of IP's prior rail volume. (See workpapers attached as Appendix 4 at 3). Overall rail traffic on the south segment declined by 26 percent, from 396 carloads during the last seven months of 2002 under operation by the prior owner, to 293 carloads during Railroad's operation in the same 7-month period of 2003.

Operation of the south segment at that reduced traffic level was not profitable. Railroad assessed a surcharge in an attempt to generate additional revenue, but the surcharge was unable to be lawfully applied to IP's traffic. (Appdx. 4 at 4). Inasmuch as IP's traffic constitutes the great majority of total traffic on the south segment, assessment of the surcharge did not have a significant effect on the unprofitability of operating the segment. In addition, Holdings was faced with the need for expensive track rehabilitation to bring track conditions to minimum FRA safety standards, as well as a very substantial opportunity cost of continued operation. The facts in this paragraph will be substantiated in verified statements attached to this Petition.

Faced with those burdensome losses and expenses from continued operation, and with no further hope of resurrecting PCA's heavy traffic volume, Holdings decided to seek abandonment of the south segment notwithstanding that Railroad has operated the segment for only 10 months. Holdings did not have a pre-conceived intent to abandon the south segment at the time that it acquired the rail line. Instead, abandonment was sought only after it became apparent that PCA's traffic could not be restored to the line, and IP's traffic declined appreciably.

There is no set period of time during which a line must be operated before abandonment authority can be sought. Cf. *Land Conservancy - Acq. & Oper. - Burlington Northern*, 2 S.T.B. 673, 677 (1997). In *Minnesota Northern Railroad, Inc. -- Aban. Exempt. -- in Red Lake and Polk*

Counties, MN, 1997 STB LEXIS 291 (Docket No. AB-497 [Sub-No. 1X], decision served Nov. 14, 1997), the Board granted a petition for exemption for abandonment that was filed only seven months after the rail carrier acquired the rail line despite shipper opposition to the petition, where the rail carrier adequately explained the reasons for seeking abandonment so soon after acquisition and the evidence supported abandonment of the rail line, viz. (at *7):

... There is no justification to warrant a more thorough review of the proposed abandonment under section 10903. The Association (the shipper) has not rebutted MNN's cost figures and has provided no factual support for its allegations. MNN's expectation that it would receive traffic from RFLE and RLCC has not been met, because these shippers have chosen to use motor carrier service for their shipments. It is evident that continued operation of the Red Lake Falls-Strata Line is a substantial drain on MNN and poses a threat to service on its remaining lines ...

For similar reasons, the Board should find that the filing of the petition for exemption by Holdings and Railroad 10 months after acquisition of the south segment has been adequately explained and justified.

**REASON FOR FILING DETAILED VERIFIED STATEMENTS AND
WORKPAPERS IN SUPPORT OF THE PETITION FOR EXEMPTION OF
ABANDONMENT**

As part of their petition for exemption of abandonment, Holdings and Railroad have filed detailed verified statements on the financial results of operating the south segment and opportunity costs (VS McClure, Appendix 2); costs required to rehabilitate the trackage and bridges in the segment to comply with FRA Class I track safety standards (VS Lockhard, Appendix 3); and traffic evidence (VS Cundiff, Appendix 1). In addition, Holdings and Railroad have filed the workpapers of those witnesses as Appendix 4, as well as a track chart and operating timetable for the segment as Appendices 5 and 6. As a result of the filing of that substantial evidence, the petition for exemption of abandonment here is the evidentiary equivalent of an abandonment application.

That quantum of evidence has been filed to ensure an adequate record in the event that IP or any other shipper were to oppose an exemption for abandonment. Holdings and Railroad attempted to determine from IP whether or not it intended to oppose the abandonment so that they could determine whether to file an abandonment application (in the face of opposition) or a petition for exemption of abandonment (with no anticipated shipper opposition). IP was noncommittal regarding opposition to the abandonment. None of the other shippers expressed an intent to oppose the proposed abandonment. In the circumstances, therefore, Holdings and Railroad have filed a petition for exemption of abandonment, but they have filed evidence and workpapers in support of the petition equivalent to the evidence and workpapers that would be filed in support of an abandonment application. If IP or any other shipper were to oppose the abandonment, there will be an adequate record to permit the Board to make an informed decision on the merits of abandonment.

MAP

Pursuant to 49 C.F.R. § 1152.60(b), attached to this Petition as Appendix 7 is a railroad map of the State of Mississippi on which the south segment has been highlighted in yellow.

DRAFT FEDERAL REGISTER NOTICE

Pursuant to 49 C.F.R. § 1152.60(c), attached to this Petition as Appendix 8 is a draft Federal Register notice in the form required by that regulation.

THE SOUTH SEGMENT

As noted previously, and as shown on the map, Appendix 7, the south segment is part of an 87.7-mile rail line between Middleton, TN and Houston, MS. That rail line was a part of the main line of the former Gulf, Mobile & Ohio Railroad between Mobile, AL and Chicago, IL. Currently, the rail line connects with Norfolk Southern Railway Company at Middleton, TN and with

Burlington Northern & Santa Fe Railway Company at New Albany, MS.^{1/} The line dead ends at its south end near Houston, MS.

Attached to this Petition as Appendix 5 is a track profile of the south segment. The appendix shows that the segment is constructed with 90-pound rail, which is in excess of 50 years old. The profile also reflects the grades and curvature on the segment.

Attached to this Petition as Appendix 6 is an operating timetable for the rail line of which the south segment is a part. The timetable identifies sidings on the segment and special instructions regarding train operations.

There are 33 public grade crossings on the south segment. Their locations are reflected below:

<u>MP</u>	<u>Street</u>	<u>City</u>	<u>MP</u>	<u>Street</u>	<u>City</u>
322.75	Owen Road		301.2	Rt #124W	Algoma
321.7	Rt #89		298.8	Rt #114W	
321.1	Rt #88		297.4	Rt #108	
320.05	Rt #94		297.7	Rt #111	
319.0	Rt #319		295.3	Rt #884	
318.1	Rt #96		295.0	Rt #117	
316.8	Rt #256		293.5	Rt #8	
316.4	Rt #230		291.8	3 rd St.	Houlka
315.3	Rt Old #15		291.5	8 th Ave.	Houlka
314.7	Main St.	Ecru	290.3	Rt #14	
308.9	Sallie Hardin Rd.		288.3	Rt #19	

^{1/} There is also a connection with Kansas City Southern Railway at Corinth, MS by virtue of KCS haulage rights.

<u>MP</u>	<u>Street</u>	<u>City</u>	<u>MP</u>	<u>Street</u>	<u>City</u>
308.2	Rt #15		287.3	Rt #24	
307.1	W. Reynolds Rd.	Ecu	285.3	Rt #31	
306.8	Coffee St.	Ecu	283.8	Industrial	Houston
302.2	Jackson Rd.		283.3	Franklin Dr.	Houston
			282.8	3 rd Ave.	Houston
			282.2	Pittsboro St.	Houston
			281.9	Church St.	Houston

TRAIN SERVICE

All traffic on the south segment has been inbound. Trains originate at either Middleton, TN or New Albany, MS, depending on the connecting rail carrier. The average train crew size is two, with one locomotive.

Almost all of the traffic is destined for Houston, MS, near the end of the segment. That necessitates a 90-mile or 190-mile round trip, depending on the point of interchange. The round-trip from New Albany consumes nearly a full 12-hour operating day. From Middleton, two operating days are required.

Trains operate to Houston one to two days per week, as needed.

TRAFFIC

The names and addresses of the five active rail users on the south segment are set forth below:

1. International Paper Corp. (IP)
P.O. Box 431
Houston, MS 38851
2. AGRO (Agro)
P.O. Box 589
Houston, MS 38851
3. MPI, Inc. (MPI)
P.O. Box 408
Houston, MS 38851
4. Farmers' Marketing Association (Farmers)
550 Cruse Drive
Pontotoc, MS 38863
5. Ware Milling Co. (Ware)
150 A F L Drive
Houston, MS 38851

In addition, there are two former users of the segment, as follows:

6. Chickasaw Farmers Marketing
630 Church Street
Houston, MS 38851
7. Packaging Corp. of America
P.O. Box 1040
Ackerman, MS 39735

A copy of this Petition is being sent to all of those current and former users of the segment.

Set forth below are the numbers of carloads received by each of the active rail users during the 9-month period of Railroad's operation of the segment between June 1, 2003 and February 29, 2004, inclusive:

<u>Receiver</u>	<u>Carloads (9 months)</u>
IP	273
Agro	54
MPI	9
Farmers	20
Ware	<u>1</u>
TOTAL	357

Shown below are the interchange junction points for the above traffic:

<u>Interchange Point</u>	<u>Carloads</u>
Middleton, TN	237
New Albany, MS	<u>120</u>
TOTAL	357

Set forth below are the estimated numbers of carloads on the south segment for the forecast year (12 months beginning April 1, 2004) based on discussions between the rail users and Railroad's Marketing Manager, and on trends in use of the rail line. (Appdx. 1, Appdx. 2, Ex. C-1, line 5(a)).

<u>Receiver</u>	<u>Forecast Year Carloads</u>
IP	450
Agro	100
MPI	8
Farmers	<u>10</u>
TOTAL	568

REASONS FOR ABANDONMENT

An exemption is sought for abandonment and discontinuance of service on the south segment because (1) the segment cannot be operated profitably; (2) the segment requires substantial track and bridge rehabilitation to meet minimum FRA safety standards, the cost of which cannot be recouped from segment operating profits; and (3) continued ownership of the segment would result in a significant opportunity cost.

It is recognized that an unfortunate result of the abandonment would be increased transportation costs for the users of the rail service and some economic harm to communities along the south segment. It is clear, however, that such local harm would be outweighed decidedly by the substantial burden on Holdings, Railroad and interstate commerce from continued operation of the segment. *See, e.g., Conrail - Aban. - betw. Warsaw & Valp. Counties, IN*, 9 I.C.C.2d 1299, 1317 (1993).

1. Unprofitability

Operation of the south segment by Railroad during the nine-month period between June 1, 2003 and February 29, 2004, inclusive, resulted in an avoidable loss of \$72,815; such operation during the forecast year beginning April 1, 2004 would result in an avoidable loss of \$102,017. (Appdx. 2, Ex. A, line 17).

The derivation of the revenues and costs that were considered in arriving at those operating results is explained in the verified statement of the Chief Financial Officer of Ironhorse Resources, Inc., the parent company of Railroad. (Appdx. 2 at 2-5). Those revenues and costs were determined in accordance with the Board's abandonment costing regulations at 49 C.F.R. § 1152.32, *et seq.*, with two exceptions:

- (1) revenues and costs for historical operations were based on a nine-month period between June 1, 2003 and February 29, 2004, inclusive, rather than a “base year,” because Railroad did not operate the segment for a full base year; and
- (2) the costs of operations on Railroad’s line off the branch (i.e., between Middleton and New Albany) were assigned to the south segment on an allocated basis fully explained by the Chief Financial Officer (Appdx. 2 at 3, Ex. B, B-1, C and C-1), rather than being derived in accordance with the off-branch methodology described in 49 C.F.R. § 1152.32(n), because Railroad lacks familiarity with URCS.

The Board should find that Railroad’s evidence of revenues and costs adequately reflects the financial results of operating the south segment, and that the avoidable operating losses so reflected would constitute a serious burden on Holdings, Railroad and interstate commerce.

2. Rehabilitation

The south segment does not currently comply with FRA Class I track safety standards. The segment is FRA “excepted” track. Extensive addition of crossties (with associated surfacing) is required to comply with FRA Class I standards. In addition, ten of the bridges and two of the public grade crossings on the segment require rehabilitation to make them safe for rail operations. In all, an expenditure of \$779,908 is required for the needed track, bridge and road crossing rehabilitation. (Appdx. 3).

Of that amount, \$689,613 is needed for track rehabilitation. That amount includes 5,212 crossties at \$52.99 per tie installed, for a total of \$276,184. It also includes \$406,129 for surfacing, and \$7,300 for replacing rail and OTM. A total of \$79,295 is required for bridge rehabilitation.

The ten bridges that require rehabilitation and the cost of rehabilitation for each bridge as shown below:

<u>Bridge at Milepost No.</u>	<u>Rehabilitation Cost (Labor)</u>
285.7	\$ 9,304
286.4	9,304
311.4	14,774
312.1	7,474
313.9	3,360
314.7	2,880
317.3	960
317.8	4,800
318.7	3,961
322.2	<u>1,920</u>
	\$ 58,737
+ materials	<u>20,558</u>
TOTAL	\$ 79,295

There is a total of \$11,000 in rehabilitation required for asphalt and resurfacing of the public grade crossings at Milepost 285.3 (Route 31) (\$4,500) and Milepost 283.3 (Franklin Drive) (\$6,500).

A rehabilitation cost of the magnitude of \$779,908 would be unduly burdensome on Holdings-Railroad because such cost could not be recouped out of profits for the south segment.

3. Opportunity cost

In addition to the burden resulting from unprofitability and rehabilitation, Holdings would be burdened by an opportunity cost of \$292,236 per year from continued ownership of the line. (Appdx. 2 at 4-5; Ex. A, lines 12-16, Ex. E). Calculation of that opportunity cost is shown below.

<u>Line No.</u>	<u>Entry</u>	
12	Valuation of Property	\$2,397,650
	a. working capital	16,440
	b. income tax consequence	(333,478)
	c. net liquidation value	2,714,688
13	Nominal rate of return	.14
14	Nominal return on value	335,671
15	Holding gain	43,435
16	Total return on value (opportunity cost)	\$292,236

The annual opportunity cost of \$292,236 is an additional element of burden on interstate commerce from continued ownership of the south segment. The total economic loss in the forecast year would be \$394,253. (Appdx. 2, Ex. A, line 18).

AN EXEMPTION IS WARRANTED

Abandonment of a rail line and discontinuance of rail service require Board approval under 49 U.S.C. § 10903. However, on petition, the Board is to exempt a proposed abandonment and discontinuance from the requirement of such approval if the Board finds under 49 U.S.C. § 10502(a) that application of 49 U.S.C. § 10903 to the proposed abandonment and discontinuance is not required to carry out the rail transportation policy of 49 U.S.C. § 10101, and either that the proposed abandonment and discontinuance are of limited scope, or that application of 49 U.S.C. § 10903 to the proposed abandonment and discontinuance is not necessary to protect shippers from abuse of market power.

In regard to the first standard of 49 U.S.C. § 10502(a), the need for regulation is to be tested against the provision(s) of the rail transportation policy that is (are) implicated by the statute from

which an exemption is sought. As to abandonment and discontinuance under 49 U.S.C. § 10903, the rail policy most directly implicated is 49 U.S.C. § 10101(4) in favor of continuation of a sound rail transportation system to meet the needs of the public and the national defense. The issue is whether a conventional abandonment application is required to determine whether the abandonment and discontinuance should be approved or whether it is so apparent that continued operation of the line is not required for an adequate rail transportation system that abandonment and discontinuance can be authorized by exemption without the need for such an application.

There is an established body of case law in resolution of that issue. An exemption for abandonment is to be denied where affected shippers contest abandonment and it is not shown that the revenues from their traffic are clearly marginal compared to the cost of operating the involved rail line. *Gauley River Railroad, LLC -- Aband. & Discon. of Serv. Exempt. -- in Webster and Nicholas Counties, WV*, 1999 STB LEXIS 345 at *14 (STB Docket No. AB-559 [Sub-No. 1X], decision served June 16, 1999 at 5); *Central Railroad Co. of Indiana -- Aband. Exempt. -- in Dearborn, Decatur, Franklin, Ripley and Shelby Counties, IN*, 1998 STB LEXIS 121 at * 10 (STB Docket No. AB-459 [Sub-No. 2X], decision served May 4, 1998 at 9-10). However, an exemption is appropriate where it is apparent that the rail carrier would operate at a substantial loss, regardless of whether shippers oppose the exemption. *Minnesota Northern Railroad, Inc. -- Aband. Exempt. -- between Redland Jct. and Fertile, in Polk County, MN*, 1997 STB LEXIS 294 at * 25 (STB Docket No. AB-497 [Sub-No. 2X], decision served Nov. 14, 1997 at 11-12).

It is evident that the case at hand fits into the latter category. Continued operation of the south segment would result in a loss of \$102,017 per year. In addition, continued operation would require an unrecoverable expenditure of \$779,908 for rehabilitation to meet FRA Class I safety

standards. Holdings would incur an opportunity cost of \$292,236 per year from continued ownership of the south segment. It is thus apparent that the revenue from the traffic of shippers on the line is marginal compared to the cost of operating the line. In that circumstance, compliance with the application process of 49 U.S.C. § 10903 is not necessary to carry out the policy of 49 U.S.C. § 10101(4) in favor of a sound rail transportation system to meet the needs of the public and the national defense. Issuance of an exemption would also further the rail policies of 49 U.S.C. § 10101(3) in favor of promoting safe and efficient rail transportation; § 10101(5) in favor of fostering sound economic conditions in transportation; § 10101(7) in favor of reducing regulatory barriers to exit; and § 10101(9) in favor of encouraging efficient rail management.

Because shippers on the line appear to have adequate transportation alternatives that they are already using, application of 49 U.S.C. § 10903 to the proposed abandonment and discontinuance is not necessary to protect shippers from an abuse of market power. *Minnesota Northern Railroad, Inc. -- Aband. Exempt. -- between Redland Jct. and Fertile, in Polk County, MN, supra*, 1997 STB LEXIS 294 at *24. In light of that finding of no abuse of market power, the Board need not determine whether the proposed transaction is of limited scope. However, the proposed 43.2-mile abandonment and discontinuance is limited in scope.

Inasmuch as the evidence warrants the findings required by 49 U.S.C. § 10502(a), the Board should grant the proposed exemption.

ENVIRONMENTAL AND HISTORIC CONSIDERATIONS

A draft Environmental and Historic Report is attached to this Petition as Appendix 9. That Report forms the basis for a finding that the proposed abandonment would not have a significant adverse effect on the quality of the human environment nor on the preservation of historic

resources. Appendix 10 are comments on the draft Report by several agencies received after the draft Report was compiled. None of those comments seeks environmental conditions.

EMPLOYEE PROTECTION

The Board should impose the employee protective conditions in *Oregon Short Line R. Co. - Abandonment - Goshen*, 360 I.C.C. 91 (1979), as a condition to approval of the proposed abandonment and discontinuance.

FEDERALLY-GRANTED RIGHT-OF-WAY

Based on information in the possession of Holdings-Railroad, the south segment does not contain federally granted rights-of-way. Any documentation in petitioners' possession will be made available promptly to those requesting it.

NEWSPAPER NOTICE

Attached as Appendix 11 are copies of proof of publication of notice of the proposed abandonment in newspapers of general circulation in the affected counties.

CONCLUSION AND REQUESTED RELIEF

WHEREFORE, the Board should grant an exemption for (1) Holdings' abandonment and Railroad's discontinuance of rail service over the 43.2-mile rail line between Milepost 324.2 south

of New Albany (approximately ¼-mile south of Interstate Highway 78) and Milepost 281.0 south of Houston, in Union, Pontotoc and Chickasaw Counties, Mississippi.

Respectfully submitted,

MISSISSIPPI TENNESSEE HOLDINGS, LLC
102 Willow Drive
P.O. Box 99
O'Fallon, IL 62269

Petitioner

MISSISSIPPI TENNESSEE RAILROAD, LLC
200 North Railroad Ave.
New Albany, MS 38652

Petitioner

Thomas F. McFarland

THOMAS F. McFARLAND
THOMAS F. McFARLAND, P.C.
208 South LaSalle Street, Suite 1890
Chicago, IL 60604-1112
(312) 236-0204

Attorney for Petitioners

Date Filed: April 7, 2004

Appendix 1

VERIFIED STATEMENT OF RANDY CUNDIFF

My name is Randy Cundiff, and I am Marketing Manager for Mississippi Tennessee Railroad, LLC ("MTNR"), with corporate offices at 102 Willow Drive, O'Fallon, IL 62269. I am responsible for developing new shippers/receivers on MTNR.

The purpose of this statement is to describe the rail customers located on the 43.2 mile track of MTNR's south main between milepost 281.0, near Houston, MS and milepost 324.2 just south of New Albany, MS. At the beginning of 2004, there were four active customers on the Line: International Paper Corp. ("IP"), Agrilance ("AGRO"), MPI Inc. ("MPI"), and Farmers Marketing Association ("FARMERS").

All four of these active customers use the Line to unload rail cars.

IP received 273 car loads of paper goods weighing approximately 17,090 tons from May 31, 2003 through February 29, 2004. Unloading occurs at IP's plant track in Houston.

I discussed MTNR's plans for abandoning the Line with IP in December 2003 at their office in Memphis, TN. IP advised me their annual car loads are down substantially from the 650 to 700 levels of past years. The latest 9 months car loads versus year earlier levels is currently running at a substantial 29.5% reduction.

I discussed abandonment plans with AGRO both in December 2003 and in two meetings at the beginning of 2004. AGRO received 54 car loads of fertilizer weighing approximately 5,022 tons over the past 9 months and has maintained year earlier levels. Their unloading occurs at their plant in Houston, MS.

I discussed abandonment plans with MPI in December, 2003. MPI received 9 car loads of glue weighing approximately 762 tons at their Houston, MS. plant over the past 9 months and has maintained year earlier levels.

FARMERS was contacted in December, 2003 regarding MTNR's abandonment plans. FARMERS received 20 car loads of grain weighing approximately 2,000 tons at their Pontotoc, MS. facility over the past 9 months and has maintained year earlier levels.

MTNR has attempted to accommodate its customers on the Line by arranging an alternate transload site in New Albany, MS. To date, MPI, through their distributor, is the only customer that has indicated the possibility of using this transload site.

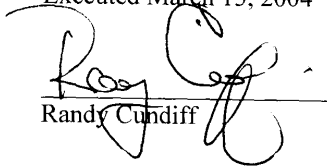
In addition, prior to the acquisition of this south segment, Packaging Corporation of America, based out of Ackerman, MS, had historical car volumes in excess of 2,300 per year. It was our belief that with the proper rate structure and service time of the log cars that this account stood a solid chance of being resurrected. Our belief was confirmed when PCA, started negotiating with us on car movement to their plant in Counce, TN,

from their rail yard on our line located just north of Houston, MS. After lengthy discussions and a rail rate that fit their pricing parameters, along with a workable MTNR daily switching time that met their guidelines, PCA opted to discontinue this movement, due to an unworkable third party yard log loading operator agreement. PCA then indicated that after this failure, the possibility that they could resurrect this business on rail now did not seem feasible any time in the future.

VERIFICATION

I, Randy Cundiff, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed March 15, 2004


Randy Cundiff

State of Illinois
County of St. Clair

Signed and attested before me on 3-22-04 by
Randy Cundiff.

Connie J. DeCoursey



VERIFIED STATEMENT OF BARRY S. McCLURE

My name is Barry S. McClure, and I am Chief Financial Officer of Ironhorse Resources, Inc., the parent company of Mississippi Tennessee Railroad, LLC ("MTNR"), with corporate offices at 102 Willow Drive, O'Fallon, IL 62269. I am responsible for financial affairs for MTNR.

I am familiar with the facts and issues in the proceeding as the revenue and cost data filed in this proceeding were compiled, assembled, and prepared under my direction. The data submitted in this proceeding were developed in accordance with generally accepted accounting principles.

The purpose of my statement is to present and explain the revenue and cost data relative to the proposed abandonment between MP 324.2 (1/4 mile south of I-78) as the northernmost point, and MP 281.0 in Houston as the southernmost point. Attached hereto as Exhibit A is information which reflects revenue and cost comparisons for the actual operations for the nine months ending February 29, 2004, for the forecast year, and for the subsidy year.

Pro forma revenues and expenses for the forecast year beginning April 1, 2004 are based on operations similar to the base year period. The "forecast year" period is defined in Title 49, Code of Federal Regulations, section 1152.2(h) as "...the 12-month period, beginning with the first day of the month in which the application is filed with the Commission, for which future revenues and costs are estimated." In this forecast year, MTNR could expect to show a loss of \$394,253 of pro forma revenues versus pro forma operating and economic costs.

In the following pages, I shall provide a further explanation of the underlying components of the forecast year revenues and costs.

REFERENCE SCHEDULES

Exhibit A	Submission of Revenue and Cost Data
Exhibit B	Actual Income Statement for the Nine Months ended Feb. 29, 2004
Exhibit B-1	Schedule of Assumptions for Nine Months ended Feb. 29, 2004
Exhibit B-2	Maint. Of Way detail for Contract Services and Materials for the Nine Months ended February 29, 2004
Exhibit C	Forecast Year Income Statement
Exhibit C-1	Schedule of Assumptions for the Forecast Year
Exhibit C-2	Maint. Of Way detail for the Forecast Year
Exhibit D	Schedule of Costs to Attain FRA Class 1 Standards
Exhibit E	Net Liquidation Value of Abandonment Section

REVENUE ATTRIBUTABLE

Currently, five customers are active on this line segment. In the nine month period ending February 29, 2004, the following customers were responsible for traffic originating or terminating on the line (the line has no bridge traffic):

Agro Distrib.	54 cars
Farmers Market	20 cars
International Paper	273 cars
MPI	9 cars
Ware	1 car
Total	357 cars

Exhibit B is an Actual Income Statement for the Nine Months ended February 29, 2004 for the entire line and the basis for the breakout of the South Section Only (Abandonment Section). Exhibit B shows that the actual revenue directly attributable to the South Section totals \$201,187, comprised of freight revenue for the 357 cars of \$170,792, demurrage of \$16,240, lease revenue of \$12,939, and miscellaneous revenue of \$1,216.

Exhibit C is an Income Statement for the Forecast Year for the entire line and the basis for the breakout of the South Section Only (Abandonment Section). Exhibit C shows that the actual revenue directly attributable to the South Section totals \$298,024, comprised of freight revenue for the 568 cars of \$267,458, demurrage of \$21,653, lease revenue of \$8,913. Item # 5(a) in Exhibit C-1 shows the breakdown of car volume by customer for the forecast year at 568. These forecasted volumes have been obtained from consultation with the customers and based on past history. Demurrage revenue for the forecast year (see Exhibit C 5.b) is obtained from annualizing the nine month activity,

while the forecasted lease revenue (\$8,913) is directly attributable to the abandonment section.

Switching Revenue is listed as a separate line item on Exhibit A, while demurrage, lease revenue and miscellaneous revenue are combined for presentation in Exhibit A.

AVOIDABLE COSTS

The category known as avoidable costs is comprised of items directly attributable to the line segment in question, and the allocation of other costs where the expenses cannot be directly charged to a particular line segment. These are costs that would not be incurred in the event of abandonment.

The South end of the line is serviced twice per week, while the north end of the line is switched three times per week. Consequently, two-fifths (40%) of the payroll expense and payroll-related costs have been charged to the south end of the line. (Exception: To be conservative, no expense for administrative wages has been allocated to the south end. In addition, only 33% of the labor costs for signals have been charged to the south end since the south end has 6 signals, and the entire line has 18 signals). As a result, 40% of the operating costs can be directly attributable to the south end. In addition, since serving the customers on the south end requires travel on the north end of the line, a portion of the expenses incurred on the north end can be allocated to the south end. Item 3 in Exhibit C-1 shows how allocations were made for the types of expenses incurred that cannot be directly charged. In the forecast year, 55.36% of the allocable costs (costs not directly chargeable to either end) are attributable to the south end, while the figure for the base year is 49.48% as outlined in Item 1 of Exhibit B-1.

Labor Costs

The labor costs for the Actual Nine Months for the Total Line and the South Section are identified and allocated on Exhibit B.

The labor costs for the forecast year are listed on Exhibit C, and a further explanation is located in item number 6(a) in Exhibit C-1.

In Exhibit A, the labor costs have been included with total expense comprising that particular cost center. For example, the labor costs for Maintenance of Way are included in the Maintenance of Way line item.

Maintenance of Way

The actual Maintenance of Way expenses for the Nine Months ended February 29, 2004 are summarized on Exhibit B. The line items "Contract Services" and "Materials" are further identified in detail on Exhibits B-1 and B-2.

The Maintenance of Way expenses for the Forecast Year are summarized on Exhibit C. The line items "Contract Services" and "Materials" are further identified in detail on

Exhibits C-1 and C-2. With the exception of labor as discussed above, all of the MOW expenses shown are directly attributable to the south end.

Signals

One-third (33%) of the total costs for the operation of signals have been allocated to the south end of the line since the south end has 6 signals, and the entire line has 18 signals.

In Exhibit A, the costs for Signals are included in the Maint. Of Equipment line item.

Transportation (Switching)

Transportation (Switching) expenses have been allocated based on the 55.36% for the forecast year and the 49.48% for the nine month period as explained above, with the exception of labor, which is allocated on 40%, and car hire, which is derived from the actual expense directly incurred on the south end in the nine month, and annualized for the forecast year.

Other Expenses

Locomotive Maintenance and Depreciation (for non-roadbed assets only) have been allocated on the 55.36% and 49.48% as previously discussed. Both items are included in the Maint. Of Equip. line item in Exhibit A.

The expense for property taxes has been allocated based on mileage. The total projected property taxes for the entire line is \$40,800. The south end encompasses 43.2 miles of the total line, which is 87.7 miles, or 49.8%. I have confirmed that our property taxes will be reduced in that amount in the event of abandonment.

SUBSIDY YEAR

Exhibit D shows the costs for the line to attain FRA Class 1 standards.

RETURN ON VALUE

The investment base is comprised of (1) working capital of \$15,523 based on 15 days' worth of On Branch Avoidable Costs, (2) income tax consequences as described below, and (3) net liquidation value for the track assets of as outlined in Exhibit E. Since the companies file federal and state returns as "S" corporations, the tax effect flows through to the stockholders as personal income. Therefore, the tax rates used are from the personal tax tables. The tax rate on capital gains is 15%, and a 3% state and local rate is added in computing the tax consequence. The Net Liquidation Value (NLV) is estimated at \$2,714,688. (As explained in Exhibit E, note that 520-580 acres of land have not been appraised, and therefore have not been included in order to be

conservative.) The cost basis for this section is \$862,030 resulting in a gain of \$1,852,658. Applying the 18% tax rate results in a \$333,478 tax consequence.

The nominal cost of capital of 14.0% is applied to the total investment base. The net liquidation value is adjusted for a holding gain projected to occur in the forecast year. In calculating holding gains, MTNR has used a figure of 1.6%, developed using the most recent annual GDP implicit price deflator. The Total Return on Value is \$335,543.

CONCLUSION

In conclusion, Exhibit A, attached hereto, demonstrates that the continued operation of the south segment between MP 324.2 and MP 281.0 would constitute a burden on interstate commerce. In turn, the situation contributes to the financial burden of MTNR.

**Mississippi Tennessee Holdings, L.L.C.
Mississippi Tennessee Railroad, L.L.C.
Submission of Revenue Cost Data**

Exhibit A

	Actual Nine Months =====	Forecast Year =====	Subsidy Year =====
Car Volume	357	568	568
<u>Revenue</u>			
1 Switching (Orig. & Term.)	\$ 170,792	\$ 267,458	\$ 267,458
2 Bridge Traffic	\$ -	\$ -	\$ -
3 All Other Revenue	\$ 30,395	\$ 30,566	\$ 30,566
4 Total Revenue	\$ 201,187	\$ 298,024	\$ 298,024
<u>Avoidable Costs - On Branch</u>			
5a Maint. Of Way	\$ 96,239	\$ 164,412	\$ 164,412
5b Maint of Equip. (Loc. & Signals & Deprec.)	\$ 27,146	\$ 53,654	\$ 53,654
5c Transportation (Switching)	\$ 97,324	\$ 100,150	\$ 100,150
5d General & Admin. (insurance only)	\$ 9,724	\$ 22,320	\$ 22,320
5e Deadheading	\$ -	\$ -	\$ -
5f Overhead Movement	\$ -	\$ -	\$ -
5g Freight Car Costs (Car Hire)	\$ 29,544	\$ 39,391	\$ 39,391
5h Return of Value - Loc.	\$ -	\$ -	\$ -
5i Return of Value - Freight Cars	\$ -	\$ -	\$ -
5j Revenue Taxes	\$ -	\$ -	\$ -
5k Property Taxes	\$ 14,025	\$ 20,114	\$ 20,114
Total On Branch Avoidable Costs	\$ 274,002	\$ 400,041	\$ 400,041
6 Total Off Branch Avoidable Costs	\$ -	\$ -	\$ -
7 Total Avoidable Costs	\$ 274,002	\$ 400,041	\$ 400,041
<u>Subsidization Costs</u>			
8 Rehabilitation	\$ -	\$ -	\$ 779,908
9 General & Admin.	\$ -	\$ -	\$ -
10 Casualty Reserve	\$ -	\$ -	\$ -
11 Total Subsidization Costs	\$ -	\$ -	\$ 779,908
<u>Return of Value</u>			
12a Working Capital	\$ 11,260	\$ 16,440	\$ 16,440
12b Tax Consequence of Disposition	\$ (333,478)	\$ (333,478)	\$ (333,478)
12c Net Liquidation Value	\$ 2,714,688	\$ 2,714,688	\$ 2,714,688
12 Total Valuation of Property	\$ 2,392,470	\$ 2,397,650	\$ 2,397,650
13 Normal Rate of Return	14%	14%	14%
14 Nominal Return on Value	\$ 334,946	\$ 335,671	\$ 335,671
15 Holding Gain (Loss)	\$ 43,435	\$ 43,435	\$ 43,435
16 Total Return on Value	\$ 291,511	\$ 292,236	\$ 292,236
17 Avoidable Loss from Operations	\$ (72,815)	\$ (102,017)	\$ (102,017)
18 Estimated forecast year loss	\$ (364,326)	\$ (394,253)	\$ (394,253)
19 Estimated subsidy	\$ (364,326)	\$ (394,253)	\$ (1,174,161)

Exhibit B

Mississippi Tennessee Railroad & Holdings, L.L.C.
Actual Income Statement Worksheet

	Actual 9 mos. Ended 02.29.04 Total Line	Basis for N/S Breakout	Actual 9 mos. Ended 02.29.04 South Only	Posting Ref. to Exhibit A
Volume	1,619	Carolyn's Revenue Breakout	357	
REVENUE				
Demurrage	\$ 128,714.79	Carolyn's Revenue Breakout	\$ 16,240.00	3
Lease Revenue	\$ 44,103.77	Jeff's Lease Breakout	\$ 12,939.00	3
Switching Revenue	\$ 852,557.61	Carolyn's Revenue Breakout	\$ 170,792.00	1
Miscellaneous Revenue	\$ 2,457.87	49.48 % per Assumption #1	\$ 1,216.15	3
Total Revenue	\$ 1,027,834.04		\$ 201,187.15	
Maintenance of Way				
Wages	\$ 26,456.81	40%-South side switching	\$ 10,582.72	
Payroll Taxes	\$ 5,789.77	40%-South side switching	\$ 2,315.91	
Contract Svc./Repair	\$ 159,886.08	See Main of Way Schedule	\$ 54,483.70	
Materials	\$ 122,579.53	See Main of Way Schedule	\$ 21,526.00	
All Other MOW	\$ 14,815.97	49.48 % per Assumption #1	\$ 7,330.94	
Total Maint. Of Way	\$ 329,528.16		\$ 96,239.27	5a
MAINT. OF EQUIPMEMNT				
Signals				
Wages - Signals	\$ 1,702.84	6 south/ 18 Total = 33.3%	\$ 567.61	
Payroll Taxes - Signals	\$ 378.56	6 south/ 18 Total = 33.3%	\$ 126.19	
All Other Signal Costs	\$ 4,375.96	6 south/ 18 Total = 33.3%	\$ 1,458.65	
Loc. Maint.				
Wages - Loc. Maint.	\$ 13,675.37	40%-South side switching	\$ 5,470.15	
PR Taxes - Loc. Maint.	\$ 2,831.01	40%-South side switching	\$ 1,132.40	
All Other Loc. Maint.	\$ 18,540.65	49.48 % per Assumption #1	\$ 9,173.91	
Depreciation	\$ 145,735.87	See Assumption #2	\$ 9,217.18	
Total Maint. Of Equip.	\$ 187,240.26		\$ 27,146.09	5b
Transportation				
Wages	\$ 88,065.01	40%-South side switching	\$ 35,226.00	
Payroll Taxes	\$ 18,676.62	40%-South side switching	\$ 7,470.65	
All Other Switching Costs	\$ 110,403.59	49.48 % per Assumption #1	\$ 54,627.70	
Total Transportation Costs	\$ 217,145.22		\$ 97,324.35	5c
Gen & Admin. (Insurance)	\$ 144,152.45	Insurance only @ 40% alloc.	\$ 9,724.40	5d
Freight Car Costs	\$ 56,744.43	Actual per Car Hire/Dem Report	\$ 29,544.09	5g
Property Taxes	\$ 28,471.47	43.2mi/ 87.7mi (49.3%)	\$ 14,024.71	5k
Total On Branch Avoidable Costs	\$ 963,281.99		\$ 274,002.92	
Avoidable Gain (Loss) from Oper.	\$ 64,552.05		\$ (72,815.77)	

Exhibit B-1

**Mississippi Tennessee Railroad, L.L.C.
Mississippi Tennessee Holdings, L.L.C.
Schedule of Assumptions - 9 mos ended 02.29.04**

1. Percentage Allocation to the South Side - Actual

=====

The South end gets switched 2 days per week, while the North end gets switched 3 days per week.

Therefore, 40% of the total costs (which cannot be charged directly to either end) may be directly attributable to the South end.

Plus...

Since servicing the customers on the south side of the line requires travel on the north end, a portion of the expenses incurred on the north end are attributable to the south.

This allocation is based on car loads as outlined below.

Actual Through 02.29.04

	<u>South End</u>	<u>North End</u>	<u>Total</u>
Total Car Load	357	1,262	1,619
by Interchange Location			
Middleton, TN (KCS & NS)	237	412	649
New Albany, MS (BN)	120	850	970

237 Cars interchanged @ Middleton going to South end

1499 Cars (1,619 - 120) originally handled on North end 237/1,499 = 15.8%

Therefore, 15.8% of the expenses incurred on the North side may be allocated to the South.

Consequently, the percent of the total attributable to the South end is....

$$40\% + (15.8\% \times 60\%) = 49.48\%$$

2. Depreciation

=====

Note: Depreciation for the South side excludes roadbed.

<u>Asset Type</u>	<u>Act. 7 mos. 12/03</u>	<u>Act. 2 mos. 02/04</u>	<u>Total 9 mos.</u>
Locomotives	\$ 4,409.29	\$ 1,936.08	\$ 6,345.37
Vehicles	\$ 7,753.32	\$ 2,442.78	\$ 10,196.10
Machinery & Equip.	\$ 1,570.05	\$ 516.58	\$ 2,086.63
Total	\$ 13,732.66	\$ 4,895.44	\$ 18,628.10
Times Percentage from # 1			49.48%
Depreciation Exp. - South End			\$ 9,217.18

Exhibit B-2

**Mississippi Tennessee Railroad
Maint. Of Way for the South End - 9 mos ended 02.29.04**

Contract Services

Month	Vendor	Service	Amount
07/03	Rail Maintenance	Tree Cutting from Storm	\$1,815.00
09/03	Rail Maintenance	25 ties @ \$12.67	\$316.78
10/03	Choctaw RR Service	Bridge Repair	\$38,819.92
10/03	Utilco	Brush Cutting	13532
Total Contract Service - South Side			\$54,483.70

Material

Qty	Item	Price	Amount
25	ties	\$21.00	\$525.00
3	Caps for Bridges	\$258.00	\$774.00
68	ties	\$21.00	\$1,428.00
55	Bridge Ties (10x10)	\$58.00	\$3,190.00
360	Guard Rails (4x6)	\$2.30	\$828.00
14	Cobbler Blocks	\$129.00	\$1,806.00
8	Stringers (8x16x28)	\$616.00	\$4,928.00
6	Stringers (8x16x14)	\$308.00	\$1,848.00
6	Pilings (10x30)	\$330.00	\$1,980.00
2	Caps for Bridges	\$258.00	\$516.00
1	Stringer (8x16x12)	\$186.00	\$186.00
1	Plastic Culvert	\$325.00	\$325.00
64	Quickcrete Bags	\$3.00	\$192.00
	misc.		\$3,000.00
Total Materials - South Side			\$21,526.00

Exhibit C

Mississippi Tennessee Railroad & Holdings, L.L.C.
Pro Forma Income Statement
Forecast Year

	Total Line	Basis for N/S Breakout	South Only	Posting Ref. to Exhibit A
	=====	=====	=====	=====
Volume	1,940	Carolyn's Revenue Breakout	568	
REVENUE				
Demurrage	\$ 85,800.00	Carolyn's Revenue Breakout	\$ 21,653.00	3
Lease Revenue	\$ 47,269.00	Jeff's Lease Breakout	\$ 8,913.00	3
Switching Revenue	\$ 1,030,340.00	Carolyn's Revenue Breakout	\$ 267,458.00	1
Miscellaneous Revenue	\$ -	49.48 % per Assumption #1	\$ -	3
	-----		-----	
Total Revenue	\$ 1,163,409.00		\$ 298,024.00	
Maintenance of Way				
Wages	\$ 36,750.00	40%-South side switching	\$ 14,700.00	
Payroll Taxes	\$ 9,187.50	40%-South side switching	\$ 3,675.00	
Contract Svc./Repair	\$ 152,567.00	See Main of Way Schedule	\$ 78,339.00	
Materials	\$ 112,370.00	See Main of Way Schedule	\$ 56,658.00	
All Other MOW	\$ 22,080.00	49.48 % per Assumption #1	\$ 11,040.00	
	-----		-----	
Total Maint. Of Way	\$ 332,954.50		\$ 164,412.00	5a
MAINT. OF EQUIPMEMNT				
Signals				
Wages - Signals	\$ 2,310.00	6 south/ 18 Total = 33.3%	\$ 762.00	
Payroll Taxes - Signals	\$ 577.50	6 south/ 18 Total = 33.3%	\$ 193.00	
All Other Signal Costs	\$ 13,800.00	6 south/ 18 Total = 33.3%	\$ 4,600.00	
Loc. Maint.				
Wages - Loc. Maint.	\$ 18,480.00	40%-South side switching	\$ 7,392.00	
PR Taxes - Loc. Maint.	\$ 4,620.00	40%-South side switching	\$ 1,848.00	
All Other Loc. Maint.	\$ 40,820.00	49.48 % per Assumption #1	\$ 22,598.00	
	-----		-----	
Depreciation	\$ 195,180.00	See Assumption #2	\$ 16,261.00	
	-----		-----	
Total Maint. Of Equip.	\$ 275,787.50		\$ 53,654.00	5b
Transportation				
Wages	\$ 120,330.00	40%-South side switching	\$ 48,132.00	
Payroll Taxes	\$ 30,082.50	40%-South side switching	\$ 12,033.00	
All Other Switching Costs	\$ 72,228.00	49.48 % per Assumption #1	\$ 39,985.00	
	-----		-----	
Total Transportation Costs	\$ 222,640.50		\$ 100,150.00	5c
Gen & Admin. (Insurance)	\$ 111,492.00	Insurance only @ 40% alloc.	\$ 22,320.00	5d
Freight Car Costs	\$ 74,400.00	Actual per Car Hire/Dem Report	\$ 39,391.00	5g
Property Taxes	\$ 40,800.00	43.2mi/ 87.7mi (49.3%)	\$ 20,114.00	5k
Total On Branch Avoidable Costs	\$ 1,058,074.50		\$ 400,041.00	
Avoidable Gain (Loss) from Oper.	\$ 105,334.50		\$ (102,017.00)	
	=====		=====	

Exhibit C-1

**Mississippi Tennessee Railroad
Schedule of Assumptions - Projection Year**

(Assump. #1 - 2 used on Exhibit B-1)

Page 1 of 2

3. Percentage Allocation to the South Side

=====

The South end gets switched 2 days per week, while the North end gets switched 3 days per week.

Therefore, 40% of the total costs (which cannot be charged directly to either end) may be directly attributable to the South end.

Plus...

Since servicing the customers on the south side of the line requires travel on the north end, a portion of the expenses incurred on the north end are attributable to the south. This allocation is based on car loads as outlined below.

Projections

	<u>South End</u>	<u>North End</u>	<u>Total</u>
Total Car Load	568	1,372	1,940
by Interchange Location			
Middleton, TN (KCS & NS)	473	563	1,036
New Albany, MS (BN)	95	809	904

473 Cars interchanged @ Middleton going to South end

1845 Cars (1,940 - 95) originally handled on North end 473/1845 = 25.6%

Therefore, 15.8% of the expenses incurred on the North side may be allocated to the South.

Consequently, the percent of the total attributable to the South end is....

$$40\% + (25.6\% \times 60\%) = 55.36\%$$

4. Depreciation

=====

Note: Depreciation for the South side excludes roadbed.

<u>Asset Type</u>	<u>Projected '04 Dep.</u>		
Locomotives	\$ 11,617.00		
Vehicles	\$ 14,657.00		
Machinery & Equip.	\$ 3,099.00		
Total	\$ 29,373.00	% per # 3 Above	\$ 16,260.89

5. Revenue

=====

a. Switching (South Only)

	<u>Car Volume</u>	<u>Rate</u>	<u>Amount</u>
International Paper	450	\$ 460.00	\$ 207,000
Agro	100	\$ 462.00	\$ 46,200
MPI	8	\$ 440.00	\$ 3,520
Farmer's Market	10	\$ 295.00	\$ 2,950
Total	568		\$ 259,670
Surcharge	118	\$ 66.00	\$ 7,788

Total Switching Revenue-South **\$ 267,458**

**Mississippi Tennessee Railroad
Schedule of Assumptions - Projection Year**

Page 2 of 2

b. Demurrage/Car Hire

Demurrage - Nine Month Actual	\$	16,240.00	Annualized	\$	21,653
Car Hire - Nine Month Actual	\$	29,544.00	Annualized	\$	39,391

6. Expenses

=====

a. Projected Labor

	<u>Entire Line</u>	
Manager	\$	60,000
Asst. Manager	\$	40,000
Engineer (2)	\$	72,000
Laborer		25,000
Temp. Help	\$	4,000
Overtime	\$	9,000

Labor for the Entire Line	\$	210,000
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Allocation to Cost Centers (based on 9 month Actual)

Maint. Of Way	17.5%	\$	36,750	South 40%	\$ 14,700
Signal	1.1%	\$	2,310	South 33%	\$ 770
Switching	57.3%	\$	120,330	South 40%	\$ 48,132
Loc. Maint.	8.8%	\$	18,480	South 40%	\$ 7,392
Administration	15.3%	\$	32,130	no allocation	\$ -
Total Labor	100.0%	\$	210,000		\$ 70,994

Payroll Costs (25%)	\$	52,500
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Health Insurance	5	Employees
Annual Cost	\$	4,200

Projected Health Insurance	\$	21,000	no allocation	\$	-
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b. Maint. Of Way

	<u>North End</u>		<u>South End</u>		<u>Total</u>	
Contract Svc.(See Exhibit C-2)	\$	74,228	\$	78,339	\$	152,567
Material (See Exhibit C-2)	\$	55,712	\$	56,658	\$	112,370
Vegetation Control	\$	9,000	\$	9,000	\$	18,000
Vehicle Maintenance	\$	1,200	\$	1,200	\$	2,400
Tools & Equipment	\$	840	\$	840	\$	1,680
All Other						
Total Maint. Of Way	\$	140,980	\$	146,037	\$	287,017

Exhibit C-2**Mississippi Tennessee Railroad, L.L.C.
Projected Maintenance of Way Expenses
(After Class 1 Standards are attained)****South End****Ties to be inserted (28/mi.)**

49 miles

43.9 miles (Main + Spurs)

1,229

Contract Services

Tie Insertion (\$27.50 Choctaw Rails Construction)	\$	33,803
Rail, OTM	\$	7,300
Surfacing (\$160/mi per GC)	\$	7,024
Bridges (\$5/ft x 35 bridges x 109.5 incl. mat.)	\$	-
Bridges (\$5/ft x 29 bridges x 121' incl. mat.)	\$	17,545
Road Crossings	\$	4,700
Tie Distribution (\$1.60 per RC)	\$	1,967
Surface Distr. to Stream Bed (Crane incl.)	\$	6,000

Total Contract Services**\$ 78,339****Material**

Ties (\$22.19 Koppers Ind.)	\$	27,276
End Plates (\$1.70 Koppers Ind.)	\$	2,090
Rail, OTM	\$	2,500
Road Crossings	\$	6,300
Ballast & Rip-Rap		
25 tons/ mi. = 1,225 tons @ \$13.40		
25 tons/ mi. = 1,080 tons @ \$13.40	\$	14,472
300 tons for stream bed @ \$13.40	\$	4,020
300 tons @ \$13.40		

Total Materials**\$ 56,658****All Other MOW Expenses**

Vegetation Control	\$	9,000
Vehicle Maintenance	\$	1,200
Tools & Equipment	\$	840

Total Other MOW Expenses**\$ 11,040**

Mississippi Tennessee Railroad, L.L.C.
Forecast Maintenance of Way Expenses
(After Class 1 Standards are attained)

South End

Ties to be inserted (110/mi.)

49 miles

43.9 miles (Main + Spurs)

4,829

Contract Services

Tie Insertion (\$27.50 Choctaw Rails Construction)

\$ 132,798

Rail, OTM

\$ 7,300

Bridges (see Bridge Schedule

\$ -

Road Crossings

\$ 4,700

Tie Distribution (\$1.60)

\$ 7,726

Total Contract Services

\$ 152,524

Material

Ties (\$22.19 Koppers Ind.)

\$ 107,156

End Plates (\$1.70 Koppers Ind.)

\$ 8,209

Rail, OTM

\$ 2,500

Bridges (see Bridge Schedule - Subsidy Year Only)

\$ -

Road Crossings

\$ 6,300

Ballast & Rip-Rap

2,625 tons @ \$13.40

\$ 35,175

300 tons @ \$13.40

Total Materials

\$ 159,340

Exhibit D

Mississippi Tennessee Railroad, L.L.C.
Cost to Attain FRA Class 1 Standards

	Qty.	Cost	Amount
	=====	=====	=====
<u>Contract Services</u>			
Tie Insertion	5212	\$ 27.50	\$143,330
Tie Distribution	5212	\$ 1.60	\$8,339
Surfacing (\$1.60/ft)	228096	\$ 1.60	\$364,954
Distrib. For Surface			\$6,000
Bridge Labor	see bridge rehab schedule		\$58,737
Road Xing Labor			\$6,300

Total Contract Services			\$587,660
 <u>Materials</u>			
Ties w/ End Plates			
Main	5082.0	\$ 23.89	\$121,409
Spurs	130.0	\$ 23.89	\$3,106
Rail/OTM			\$7,300
Bridge Timbers etc.	see bridge rehab schedule		\$20,558
Road Crossings			\$4,700
Ballast/Rip Rap	2625.0	\$ 13.40	\$35,175

Total Materials			\$192,248
 Grand Total			\$779,908

Mississippi Tennessee Railroad, L.L.C.
Bridge Rehabilitation Expenses
Source: TracWork Inspection

Projected Expenses for Subsidy Year

	North End		South End	
	MP	Cost	MP	Cost
	352.6	\$ 3,824	285.7	\$ 9,304
	339.7	\$ 18,425	286.4	\$ 9,304
	342.8	\$ 7,474	311.4	\$ 14,774
	349.7	\$ 11,125	312.1	\$ 7,474
	349.8	\$ 2,600	313.9	\$ 3,360
	352.5	\$ 2,100	314.7	\$ 2,880
	354.0	\$ 14,774	317.3	\$ 960
	356.1	\$ 7,474	317.8	\$ 4,800
	358.6	\$ 7,474	318.7	\$ 3,961
	364.8	\$ 3,824	322.2	\$ 1,920
Total Labor		\$ 79,094		\$ 58,737
Est. Material Costs (35%)		\$ 27,683		\$ 20,558
Total Material & Labor		\$ 106,777		\$ 79,295
		=====		=====

Exhibit E

VALUATION: MsTn Railroad, LLC "SOUTH END"
as of 3/15/04: (MP 281.4 – 324.2)

Main . . 42.8 Miles	#1 & #2 RELAY = 82% = 36.0 Miles	
	REROLL = 10% = 4.4 "	
	SCRAP = 8% = 3.5 "	
Sidings: 1.1 Miles		

TOTAL 43.9 Miles		

RAIL: RELAY: 90# 36.00 Miles x 158.4 Ton = 5,702 Ton @ \$218/Ton .		\$ 1,243,036
REROLL: 90# 4.40 Mi x 158.4 Ton = 697 Ton @ \$170/Ton ..		118,490
SCRAP: 90# 3.50 " x 158.4 Ton = 554 Ton @ \$160/Ton .		88,640
OTM: Plates: 6,200/mi x 43.0 Miles = 266,600 @ \$1.10/each . . .		293,260
Bars: @37.5' = 281/mi x 43.0 Mi = 12,083 @ \$11.00/each . . .		132,913
TIES: 3,100 ties/mile x 43.9 miles = 136,090 Total		
16% = Relay = 21,774 @ \$10/each = \$ 217,740		
48% = #1 & #2 Landscape = 65,323 @ \$6/each = \$ 391,938		609,678
SWITCHES: 15 @ \$1,200 each.		18,000
SPIKES: Scrap: 4.9 tons/mile X 43.9 mi x 80% salvagable @\$160/ton ..		27,534
PICK-UP: 43.9 miles X \$ 10,000/mi		(439,000)
BALLAST: MAIN (4" deep x 11' wide x 1 lineral ft = 3.67 cu ft)		
(1 mi=19,378 cuFt/27= 718 yd x 1.2 ton = 861 ton/mi x 43.9 mi		
= 37,800 Ton @ \$9.75/ton x 80% Salvagable.		\$294,840
@ BRIDGES: 330 cu ft x 2 sides x 29 bridges =		
19,140 cu ft/27 = 709 yd x 1.2 ton = 851 ton @ \$9.75 = \$ 8,297		303,137
BRIDGE MATERIALS: 29 bridges @ \$11,000/each		319,000
Sub TOTAL		\$ 2,714,688
		=====

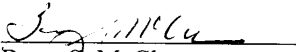
REAL ESTATE:

520 to 580 acres has not yet been appraised; therefore currently
excluded from this valuation.

VERIFICATION

I, Barry S. McClure, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed March 19, 2004


Barry S. McClure

State of Illinois
County of St. Clair

Signed and attested before me on 3-22-04 by
Barry S. McClure.

Connie J. DeCoursey



VERIFIED STATEMENT OF GREG LOCKHART

My name is Greg Lockhart and I am the General Manager for the Mississippi Tennessee Railroad, LLC ("MTNR"), with offices at 200 N. Railroad Avenue, New Albany, MS 38652. In addition to my general duties as Manager, my duties also include track inspection, repair and replacement of all railroad track.

The purpose of this statement is to describe the present condition of the south 43.2 mile rail line portion of MTNR's rail line, between milepost 281.0 near Houston, MS and milepost 324.2 just south of New Albany, MS. The Line is maintained and operated as FRA excepted track, with a speed limit of 10 miles per hour. The Line is in poor condition and MTNR has made minimal repairs to avoid embargoing the Line. However, the Line is now at a point where it will require substantial rehabilitation to keep it operational.

In March of 2004, under my instruction and guidance, Mr. Clete Kammerer, MOW Manager for RVSC (affiliate of MTNR), with over 25 years experience in track maintenance/inspection, inspected the Line and reported back to me. The Line was inspected in accordance with the Federal Railroad Administration ("FRA") Code of Federal Regulations, Title 49, Track Safety Standards Part 213.

After the inspection utilizing the industry standards, the above-mentioned techniques and my general engineering knowledge, I determined that the Line will be unsafe to operate without significant rehabilitation.

The ties on the line that are 20 years old and older need to be completely replaced. When replacing ties, it is necessary to replace the tie plates (two per tie). Best engineering practice calls for replacing the ties, but the traffic volume does not warrant the cost.

When all of the ties are replaced and with track this old and most likely beyond its useful life, resurfacing is required to the rail. Surfacing is required when ties are replaced because the removal and installation process causes track irregularities in the cross level and alignment of the rails.

The number of ties required for 43.2 miles of Main Track is 5,082, at 117.6 ties per mile to get the track back to a FRA Class I track condition.

The following chart shows the cost to obtain a Class I track.

WORK:

MATERIAL:	UNIT	COST	TOTAL
Ties w/End Plates			
MAIN:	5,082	\$23.89	\$121,409
SPURS:	130	23.89	3,106
Rails/OTM	-	-	7,300
Bridge Timbers/etc.	-	-	20,558
Road Crossings	-	-	4,700
Ballast & Rip Rap/Tons	2,625	13.40	35,175
CONTRACT SERVICES:			
Tie Insertion	5,212	\$27.50	\$ 143,330
MTNR Tie Distribution	5,212	1.60	8,339
Surfacing (\$1.60/ft.)	228,096	1.60	364,954
Distribution for Surface	-	-	6,000
Bridge Labor	-	-	58,737
Road Crossing Labor	-	-	6,300
TOTAL			\$ 779,908

Based on my experience and recent inspection of this Line, it is my opinion that the Line requires rehabilitation at a cost of \$779,908.00.

VERIFICATION

I, Greg Lockhart, verify under penalty of perjury under the laws of the United States that the foregoing is true and correct. Further, I certify that I am qualified and authorized to file this Verified Statement.

Executed March 15, 2004


Greg Lockhart

State of Illinois
County of St. Clair

Signed and attested before me on 3-22-04 by
Greg Lockhart

(Connie J. Decourcey)



APPENDIX 4 - Workpapers

Mississippi Tennessee Railroad & Holdings, L.L.C.

	Act. 7 Mos. Ended 12/31/03		Act. 2 Mos. Ended 02/29/04		9 Month Total
	MTH	MTR	MTH	MTR	MTR/MTH Total
Volume		1,207		412	1,619
REVENUE					
Demurrage		\$ 110,398.96		\$ 18,315.83	\$ 128,714.79
Lease Revenue		\$ 35,696.59		\$ 8,407.18	\$ 44,103.77
Switching Revenue		\$ 656,173.80		\$ 196,383.81	\$ 852,557.61
Miscellaneous Revenue		\$ 2,405.90			\$ 2,405.90
Interest Revenue	\$ 1.71	\$ -	\$ 0.26		\$ 1.97
Gain(Loss) on Sale	\$ 50.00	\$ -			\$ 50.00
Total Revenue	\$ 51.71	\$ 804,675.25	\$ 0.26	\$ 223,106.82	\$ 1,027,834.04
EXPENSES					
Maint. of Way					
Payroll Expense		\$ 22,132.69		\$ 4,324.12	\$ 26,456.81
Payroll Costs		\$ 4,916.98		\$ 872.79	\$ 5,789.77
Contract Services		\$ 120,636.16		\$ 400.00	\$ 121,036.16
Crane Expense		\$ 121.53			\$ 121.53
Equipment Lease		\$ 429.08		\$ 64.35	\$ 493.43
Equipment Maint.		\$ 2,259.91			\$ 2,259.91
Fuel, Oil, & Grease		\$ 432.54		\$ 254.33	\$ 686.87
Maint. & Repair		\$ 38,849.92			\$ 38,849.92
Materials - Track		\$ 120,888.99		\$ 1,518.54	\$ 122,407.53
Materials - Nontrack		\$ 172.00			\$ 172.00
Other		\$ 5.28			\$ 5.28
Tools & Equipment		\$ 7,206.81		\$ 185.87	\$ 7,392.68
Utilities		\$ 88.63			\$ 88.63
Vegetation Control		\$ 2,270.12			\$ 2,270.12
Vehicle Maint.		\$ 1,462.97		\$ 34.55	\$ 1,497.52
Total Maint. of Way	\$ -	\$ 321,873.61	\$ -	\$ 7,654.55	\$ 329,528.16
Signals					
Payroll Expense		\$ 1,612.84		\$ 90.00	\$ 1,702.84
Payroll Costs		\$ 360.40		\$ 18.16	\$ 378.56
Materials & Supplies		\$ 870.00			\$ 870.00
Tools & Equipment		\$ 758.68			\$ 758.68
Utilities		\$ 2,058.08		\$ 689.20	\$ 2,747.28
Total Signal Expense	\$ -	\$ 5,660.00	\$ -	\$ 797.36	\$ 6,457.36
Switching					
Payroll Expense		\$ 68,919.65		\$ 19,145.36	\$ 88,065.01
Payroll Costs		\$ 14,812.28		\$ 3,864.34	\$ 18,676.62
Car Hire		\$ 45,605.96		\$ 11,138.47	\$ 56,744.43
Communications		\$ 532.24		\$ 51.87	\$ 584.11
Equipment Lease		\$ 4,500.00			\$ 4,500.00
Fuel, Oil, Grease		\$ 3,874.58		\$ 1,520.95	\$ 5,395.53
Loc. Fuel, Oil, Grease		\$ 42,827.49		\$ 17,874.74	\$ 60,702.23
Materials & Supplies		\$ 883.95		\$ 1,006.02	\$ 1,889.97
Medical Expense		\$ 439.00			\$ 439.00
Tools & Equipment		\$ 198.18		\$ 87.16	\$ 285.34
Uninsured Loss		\$ 6,882.53		\$ 28,970.00	\$ 35,852.53
Vehicle Maint.		\$ 731.39		\$ 23.49	\$ 754.88
Total Switching Exp.	\$ -	\$ 190,207.25	\$ -	\$ 83,682.40	\$ 273,889.65

Mississippi Tennessee Railroad & Holdings, L.L.C.

	Act. 7 Mos. Ended 12/31/03		Act. 2 Mos. Ended 02/29/04		9 Month Total
	MTH	MTR	MTH	MTR	MTR/MTH Total
Locomotive Maint.					
Payroll Expense		\$ 9,334.65		\$ 4,340.72	\$ 13,675.37
Payroll Costs		\$ 1,954.88		\$ 876.13	\$ 2,831.01
Communications		\$ 532.00			\$ 532.00
Equipment Maintenance		\$ 281.76			\$ 281.76
Fuel, Oil & Grease		\$ 121.45			\$ 121.45
Locomotive Repair		\$ 5,321.70		\$ 3,944.63	\$ 9,266.33
Loc. Mat. & Supplies		\$ 5,672.60		\$ 1,575.06	\$ 7,247.66
Tools & Equipment		\$ 497.26		\$ 367.43	\$ 864.69
Utilities		\$ 114.94		\$ 111.82	\$ 226.76
Total Loc. Maint.	\$ -	\$ 23,831.24	\$ -	\$ 11,215.79	\$ 35,047.03
Administration					
Payroll Expense	\$ -	\$ 22,165.64		\$ 2,130.33	\$ 24,295.97
Payroll Costs	\$ -	\$ 5,686.85		\$ 429.50	\$ 6,116.35
Health Insurance	\$ -	\$ 5,182.86		\$ 1,377.96	\$ 6,560.82
Advertising & Pub. Rel.	\$ -	\$ 1,055.00		\$ 423.60	\$ 1,478.60
Bank Charges	\$ 20.00	\$ 79.15	\$ 15.00	\$ 20.00	\$ 134.15
Communication	\$ -	\$ 50.00		\$ 50.00	\$ 100.00
Computer Services	\$ -	\$ 4,715.38		\$ 1,060.94	\$ 5,776.32
Consultant Services	\$ -	\$ 1,300.00			\$ 1,300.00
Contributions	\$ -	\$ 75.00			\$ 75.00
Depreciation	\$ 112,594.25	\$ -	\$ 33,141.62		\$ 145,735.87
Dues & Memberships	\$ -	\$ 639.75		\$ 1,155.00	\$ 1,794.75
Entertainment	\$ -	\$ 592.42		\$ 101.36	\$ 693.78
Insurance	\$ -	\$ 17,111.00		\$ 7,200.00	\$ 24,311.00
Interest	\$ 53,021.84	\$ 43.74	\$ 15,984.53		\$ 69,050.11
Legal	\$ 18,534.47	\$ 25,622.68	\$ 6,259.25		\$ 50,416.40
Licenses	\$ 2,300.00	\$ 1,146.53	\$ 50.00	\$ 20.00	\$ 3,516.53
Miscellaneous	\$ -	\$ 32.10		\$ 209.00	\$ 241.10
Rent	\$ -	\$ 770.00			\$ 770.00
Postage	\$ -	\$ 914.81		\$ 300.68	\$ 1,215.49
Professional Services	\$ 24,544.28	\$ 549.00			\$ 25,093.28
Maint. & Repair	\$ -	\$ 10,702.07		\$ 56.57	\$ 10,758.64
Supplies	\$ -	\$ 1,416.18		\$ 909.99	\$ 2,326.17
Taxes	\$ -	\$ 21,393.47		\$ 7,078.00	\$ 28,471.47
Telephone	\$ -	\$ 4,664.61		\$ 1,631.33	\$ 6,295.94
Travel	\$ -	\$ 4,601.57		\$ 1,464.96	\$ 6,066.53
Utilities	\$ -	\$ 1,142.95		\$ 290.24	\$ 1,433.19
Vehicle Fuel, Oil, & Grease	\$ -	\$ 31.50		\$ 324.08	\$ 355.58
Total Administration	\$ 211,014.84	\$ 131,684.26	\$ 55,450.40	\$ 26,233.54	\$ 424,383.04
TOTAL EXPENSE	\$ 211,014.84	\$ 673,256.36	\$ 55,450.40	\$ 129,583.64	\$ 1,069,305.24
NET INCOME	\$ (210,963.13)	\$ 131,418.89	\$ (55,450.14)	\$ 93,523.18	\$ (41,471.20)
Interco. Charges					
Lease Exp./Revenue	\$ (218,750.00)	\$ 218,750.00	\$ (58,000.00)	\$ 59,400.00	\$ 1,400.00
Interest Exp./Revenue	\$ 3,984.00	\$ 10,567.00			\$ 14,551.00
Mangmt. Fee Exp/Rev.	\$ 37,046.00	\$ 136,240.00			\$ 173,286.00
Total Interco. Charges	\$ (177,720.00)	\$ 365,557.00	\$ (58,000.00)	\$ 59,400.00	\$ 189,237.00
Net Income	\$ (33,243.13)	\$ (234,138.11)	\$ 2,549.86	\$ 34,123.18	\$ (230,708.20)
Z:\EXCEL\BARRY\ABANDON\MTR\Actual9mos.xls\Acctg Detail					
	\$ (33,243.13)	\$ (234,138.11)	\$ 2,549.86	\$ 34,123.18	\$ (230,708.20)

MISSISSIPPI T L RAILROAD
CAR VOLUME BY CARRIER

Customer	2003		2004		January		February		March		April		May		June		July		August		September		October		November		December		
	NS	BNSF	KCS	NS	BNSF	KCS	NS	BNSF	KCS	NS	BNSF	KCS	NS	BNSF	KCS	NS	BNSF	KCS	NS	BNSF	KCS	NS	BNSF	KCS	NS	BNSF	KCS	NS	BNSF
Agro Dist.	31	18	4	0	1	4				1																			
Chlorite	2	0	0	0	0																								
Farmers Mkt	20	0	0	0	0																								
Franklin	0	26	0	0	10	6																							
Intl Paper	118	101	23	33	0	22	10		1	23																			
MFI	7	0	0	2	0		1			1																			
Oldfry - Blue M	2	90	6	4	33	5	3	18		1	1	15																	
Oldfry - Ripley	134	357	10	15	179		13	119		10	2	60																	
Profile	180	118	15	42	34	6	17	15		9	25	19																	
Union Lumber	0	2	0	0	0																								
Ware Milling	0	0	0	1	0						1																		
Error cells	2	1	0	0	0																								
YTD	484	713	68	97	287	37	44	168	21	63	99	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

North
FMS 174 119 43 1 = 357

West
FMS 320 594 92 254 = 1262

444 155 257 = 1619

MTNR January '04 to June '04

Customer	No. of cars	No. of tons	Switching	Surcharge	Demurrage	Revenue
=====	=====	=====	=====	=====	=====	=====
Agro Dist.						
January	4	400	\$1,760	\$264	\$4,160	\$6,184
February	1	100	\$569	\$66		\$635
March						
April	5	500				
May						
June						
Farmers Mkt						
January	0					
February	0					
March						
April						
May						
June						
Int'l Paper						
January	32	2220	\$14,140		\$120	\$14,260
February	24	1349	\$15,232		\$1,380	\$16,612
March						
April	56	3549				
May						
June						
MPI						
January	1	94	\$386	\$66.00		\$452
February	1	91	\$386	\$66.00		\$452
March						
April	2	185				
May						
June						
Ware Milling						
January						
February	1	98	\$500	\$66.00		\$566
TOTALS	64	4352	\$32,973	\$528	\$5,660	\$39,161
JUNE '03 - SEP '03	293	20,732	1328.5	4474	10,580	147871
7 MONTHS	357	25084	145788	5004	14,240	187032
			170,792			

MTNR June'03 to December'03

Customer	No. of cars	No. of tons	Switching	Surcharge	Demurrage	Revenue
=====	=====	=====	=====	=====	=====	=====
Agro Dist.						
June						\$0
July						\$0
August						\$0
September	4		\$2,018	\$264		\$2,282
October	28		\$12,480	\$1,848		\$14,328
November	1		\$569	\$66		\$635
December	16		\$8,975	\$1,056		\$10,031
	<u>49</u>	4,555 = 93.2 Tons/LD				
Farmers Mkt						
June						\$0
July						\$0
August						\$0
September	10		\$2,870	\$390		\$3,260
October						\$0
November	10		\$2,870	\$390		\$3,260
December	<u>10</u>	2,000 = 100 Tons/LD				\$0
Int'l Paper						
June	39		\$19,117		\$3,760	\$22,877
July	49		\$21,673		\$640	\$22,313
August	29		\$14,093		\$800	\$14,893
September	29		\$13,774		\$2,920	\$16,694
October	28		\$11,375		\$280	\$11,655
November	25		\$10,724		\$1,420	\$12,144
December	<u>18</u>	13,585 = 624 Tons	\$9,197		\$760	\$9,957
	217					
MPI						
June	1		\$440	\$66		\$506
July	1		\$440	\$66		\$506
August	1		\$440	\$66		\$506
September	1		\$440	\$66		\$506
October	1		\$440	\$66		\$506
November	1		\$440	\$66		\$506
December	<u>1</u>	593 = 84 Tons	\$440	\$66		\$506
	293	20,732				
TOTALS	293		\$132,815	\$4,476	\$10,580	\$147,871

137,291

MISSISSIPPI TENNESSEE CAR HIRE & DEMURRAGE
JUNE - DECEMBER 2003

23,117.40

<u>PATRON</u>	<u>CAR HIRE</u>	<u>DEMURRAGE</u>
AGRO DIST.	\$870.67	
FARMERS MKT.	\$497.91	
HANKINS	\$552.12	\$80
INT'L PAPER	\$21,748.82	\$10,580
OIL-DRI (Ripley)	\$12,631.25	\$52,980
OIL-DRI (Blue M)	\$1,618.93	\$3,060
PROFILE	\$7,194.26	\$7,520
MISC.	\$559.22	

South only
06/03 - 12/03

TOTALS	\$45,673.18	\$74,220
	23,117.40	10,580

MISSISSIPPI TENNESSEE CAR HIRE & DEMURRAGE
JANUARY - FEBRUARY 2004

<u>PATRON</u>	<u>CAR HIRE</u>	<u>DEMURRAGE</u>
AGRO DIST.	\$1,101.30	\$4,160
HANKINS	\$371.17	
INT'L PAPER	\$5,325.39	\$1,500
OIL-DRI (Ripley)	\$801.12	\$4,440
OIL-DRI (Blue M)	\$1,418.44	\$4,120
PROFILE	\$1,559.19	\$160
MISC	81.05	

TOTALS	\$10,657.66	\$14,380
--------	-------------	----------

correct KCS 107654 - Int'l Paper
correction will be on March's report

\$496.08

\$11,153.74

South only 01/04 - 04/04

6426.49

5640

✓ 04/03 - 12/03

23,112.40

10,580

29,544.89

14,240

IRONHORSE RESOURCES & Affiliated Companies
Property Tax Recap Schedule
By County / By Operating Entity
2003

By Taxing Jurisdiction	Operating Entity	2001	2002	2003	2001	2002	2003
			Assessed Value (\$)			Tax Liability (\$)	
Cameron Cnty TX	RVSC / UP Billing	271,795	279,375	277,046	6,102.28	6,308.07	6,263.49
Cameron Cnty TX	RVSC / Rio Hondo	161,608	165,368	169,228	3,660.24	3,849.35	3,851.41
✓ Chickasaw Cnty MS	MTNR	73,924	63,581	58,163	7,758.48	6,417.31	5,515.52
Dimmit Cnty TX	CYCY	2,169	2,169	2,169	51.09	50.74	50.12
Dona Ana Cnty NM	BTT	46,400	46,400	51,500	1,512.32	1,480.16	1,633.17
Hardeman Cnty TN	MTNR	117,054	77,584	71,907	2,152.00	1,427.00	1,578.00
Hidalgo Cnty TX	RVSC / UP Billing	3,358,197	3,290,983	3,344,155	93,275.49	96,985.47	98,688.00
Hidalgo Cnty TX	RVSC / Edinburg	214,440	221,190	228,170	5,261.60	6,324.97	6,570.45
Hidalgo Cnty TX	RVSC / equipment	1,158,695	1,128,766	1,106,197	24,106.59	23,928.12	23,228.74
✓ Jones Cnty TX	SSC	85,670	1,080	1,080	703.24	11.08	11.27
Pontotoc Cnty MS	MTNR	161,683	144,090	131,517	13,352.37	11,810.31	10,213.08
St Louis Cnty MO	RSM / IR	35,247	31,888	41,470	2,990.50	2,743.67	3,520.99
Taylor Cnty TX	SSC	496,848	514,500	514,719	11,071.31	11,371.61	11,455.68
Tippah Cnty MS	MTNR	179,150	152,617	137,348	17,639.79	14,978.06	13,952.87
Union Cnty MS	MTNR	134,131	114,149	102,737	10,797.36	9,218.22	7,727.86
Zavala Cnty TX	CYCY	0	0	0	0.00	0.00	0.00
		<u>6,497,011</u>	<u>6,233,740</u>	<u>6,237,406</u>	<u>200,434.66</u>	<u>196,904.14</u>	<u>194,260.65</u>

% increase (decrease)

-4.05% 0.06%

-1.76% -1.34%

Basis in Affected

✓ 19,776⁴² 50.7%
 S 19,210⁹¹ 49.3%
3848733

44.5 50.7
 43.2 49.3
87.7

✓ 8.4 mi 4245.55
 { 5 7.3 3482.31
 10.2 7777.8



QUOTATION

KOPPERS INC.
436 SEVENTH AVE. ROOM 2050
PITTSBURGH, PA 15219-1800

WATTS 888-567-3437(MIKE TRYGAR)
FAX 412-227-2841
PHONE 412-227-2433

WEB SITE ADDRESS: www.koppers.com
E-MAIL ADDRESS = wilsonwp@koppers.com

TO: RANDY KUNDIF
FAX# 618-632-4562
TEL# 618-632-4400 EXT.102
COMPANY: IRONHORSE RESOURCES
(MISSISSIPPI TENNESSEE RAILROAD)

FROM: BILL WILSON
CC: PHIL MCDONALD
LOCATION: PITTSBURGH, PA

RE: TIE QUOTE,

MATERIAL: OAK AND MIXED HARDWOOD CROSS AND SWITCH TIES TREATED PER AWPA SPECS.

PRESSURE TREATED: 7% CCTS

SHIPMENT: 1-4 WEEKS
(ORIGINATING GRENADA, MS
PLANT):

F.O.B.: TRUCKS FREIGHT ALLOWED TO:

NEW ALBANY, MS
YOU UNLOAD

MATERIAL LIST:

SELECTIVELY END PLATED
(ADD \$1.70 EA. FOR 100% END PLATING)

286 PCS.	6 X 8 - 86" GRADE	\$22.19 EA.	\$5,902.54
1500 PCS.	6 X 8 - 86" GRADE	\$22.25 EA.	\$33,375.00

MISCL SWITCHTIES
100% DOWELLED- OAK
SEL. E.PLATE- GUM

7' X 9" R/L

9' THRU 16'
17' THRU 18'
19' THRU 20'

\$855.00 MBF
\$0.00 MBF
\$0.00 MBF

PCS.	7' X 9" X 86"	\$36.15 EA.	\$0.00
PCS.	7' X 9" X 9'	\$40.40 EA.	\$0.00
PCS.	7' X 9" X 10'	\$44.89 EA.	\$0.00
PCS.	7' X 9" X 11'	\$49.38 EA.	\$0.00
PCS.	7' X 9" X 12'	\$53.87 EA.	\$0.00
PCS.	7' X 9" X 13'	\$58.35 EA.	\$0.00
PCS.	7' X 9" X 14'	\$62.84 EA.	\$0.00
PCS.	7' X 9" X 15'	\$67.33 EA.	\$0.00
PCS.	7' X 9" X 16'	\$71.82 EA.	\$0.00
PCS.	7' X 9" X 17'	\$0.00 EA.	\$0.00
PCS.	7' X 9" X 18'	\$0.00 EA.	\$0.00
PCS.	7' X 9" X 19'	\$0.00 EA.	\$0.00
PCS.	7' X 9" X 20'	\$0.00 EA.	\$0.00

SWITCH TIE TOTAL \$7,267.50
SWT. BF
8500

ASK KOPPERS INC. ABOUT YOUR STEEL SWITCH AND TURNOUT REQUIREMENTS
KOPPERS INC. NOW OWNS INDUSTRIAL TRACK SUPPLY OF ALORTON, IL @ 800-233-7816

March 05, 2004

Greg Lockhart
Mississippi Tennessee Railroad
200 North Railroad Ave.
New Albany, MS 38652

Dear Mr. Lockhart:

The following quote is submitted by Choctaw Rails Construction to install approximately 3000 crossties from New Albany south to Houston. This quote is for labor only at \$27.50 per crosstie.

If you need any additional information please do not hesitate to contact me.

Sincerely,

Johnny Stokes / sp

Johnny Stokes - President
Choctaw Rails Construction Co., Inc.

JKS:sep

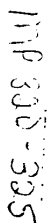
Rail & OTM (Outside Labor + materials)	9,800	9,800
Ballast & Rip Rap:		
2,500 ton RipRap + 125 ton Ballast @ \$13.40/ton	35,175	
300 ton of ballast @ \$13.40/ton		4,020
Vegetation Control	9,000	9,000
Vehicle maintenance	1,200	1,200
Tools & equipment	840	840
TOTAL	\$291,305	\$272,800
BRIDGE/ROAD CROSSINGS:		
Bridges (Labor/Materials)(detail below)	39,648	53,388
Public Road Crossings	11,000	-0-
TOTAL	\$50,648	\$53,388
BRIDGE REPAIR EXPENSE per Trak-Works		
Inspection (Labor only) over next 2 years		

SOUTH END		NORTH END	
Mile Post	Cost	Mile Post	Cost
285.7	\$ 9,304	352.6	\$ 3,824
286.4	9,304	339.7	18,425
311.4	14,774	342.8	7,474
312.1	7,474	349.7	11,125
313.9	3,360	349.8	2,600
314.7	2,880	352.5	2,100
317.3	960	354.0	14,774
317.8	4,800	356.1	7,474
318.7	3,961	358.6	7,474
322.2	1,920	364.8	3,824
	\$ 58,737		\$ 79,094
Materials @ 35%	20,558		27,683
2 Year TOTAL	\$ 79,295		\$106,777
TOTAL per YEAR	\$39,648		\$ 53,388

29,367
 Fee / Yr
 10,579
~~39,648~~

APPENDIX 5 - Track profile

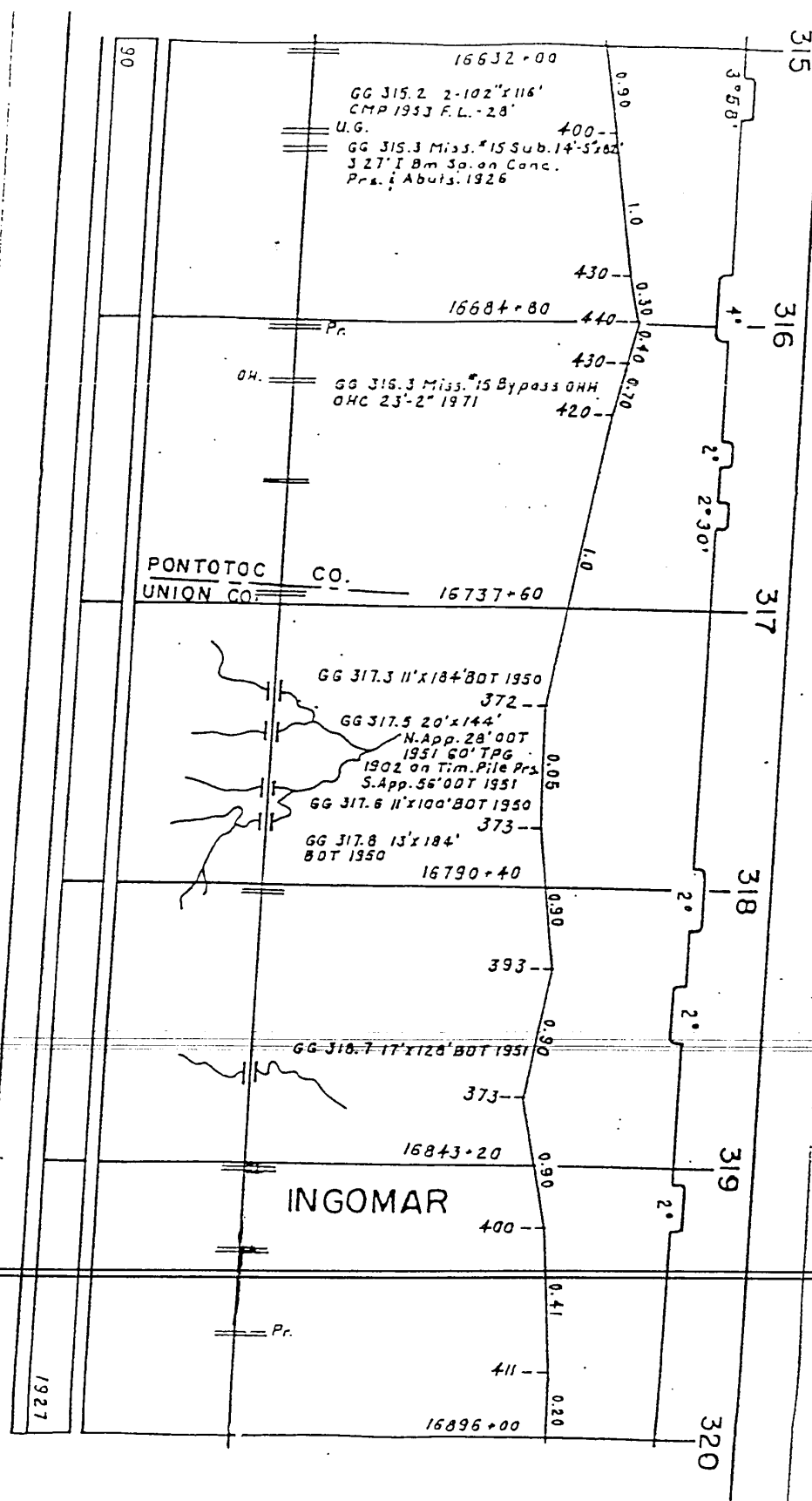
100



MING Trach Profile

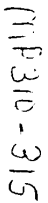
pg 118

-TO LOUISVILLE

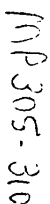


pg 315-320

2

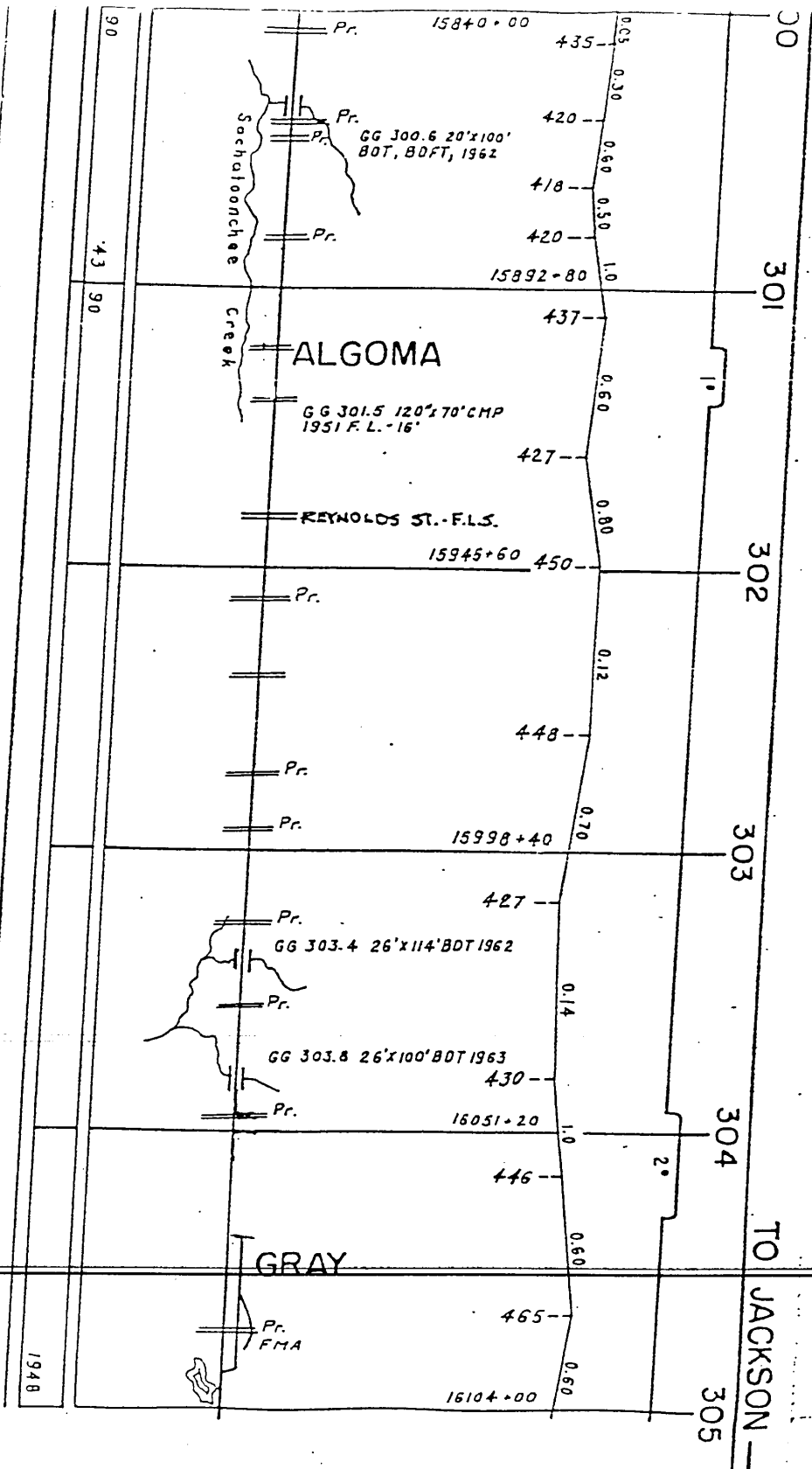


13/18
P3



MINA Truck Route

1948



11P 300-305

MILL Park Profile

13

-TO LOUISVILLE

295

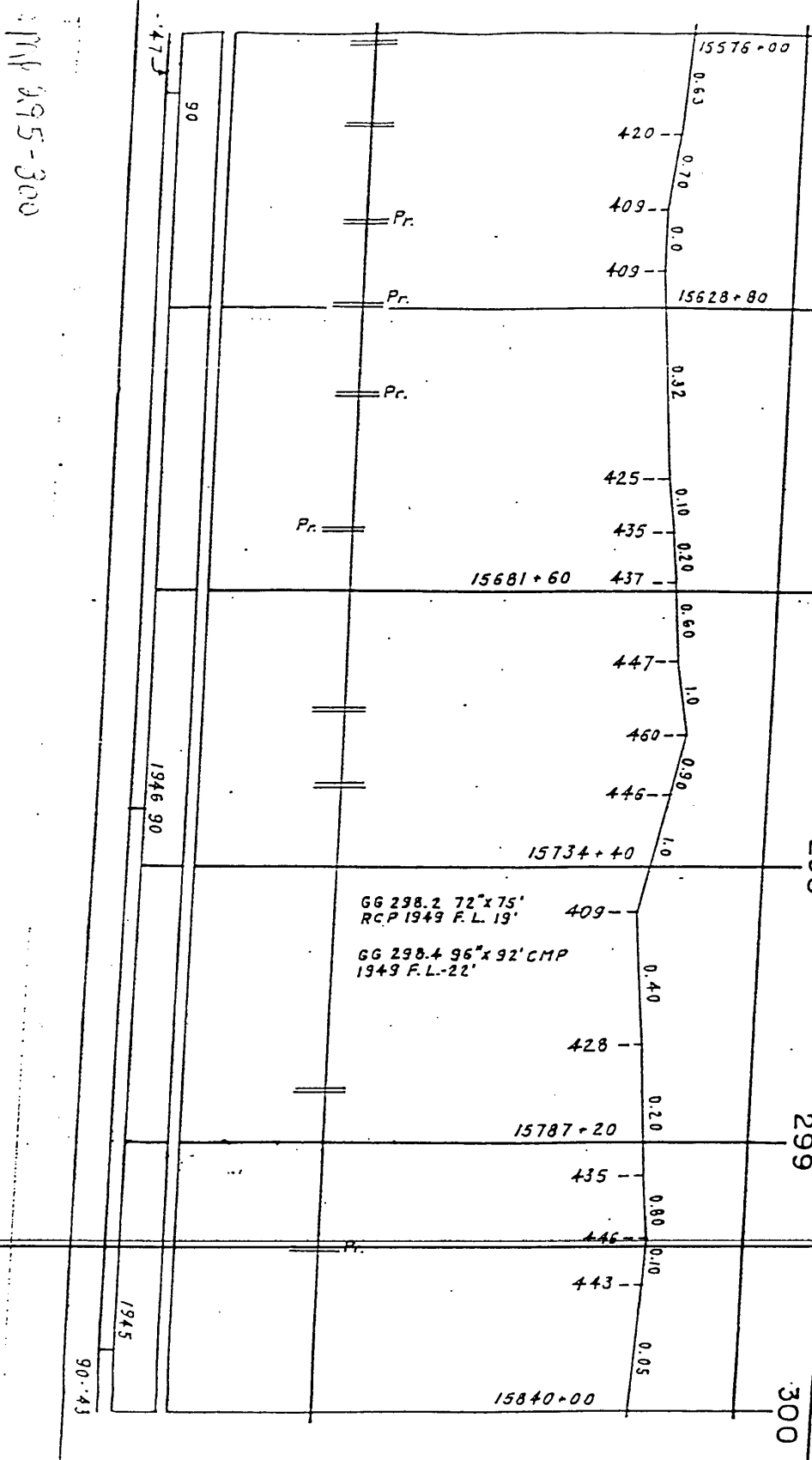
296

297

298

299

300



1945-300

Major Truck Routes

Fig. 10-1-10

TO JACKSON

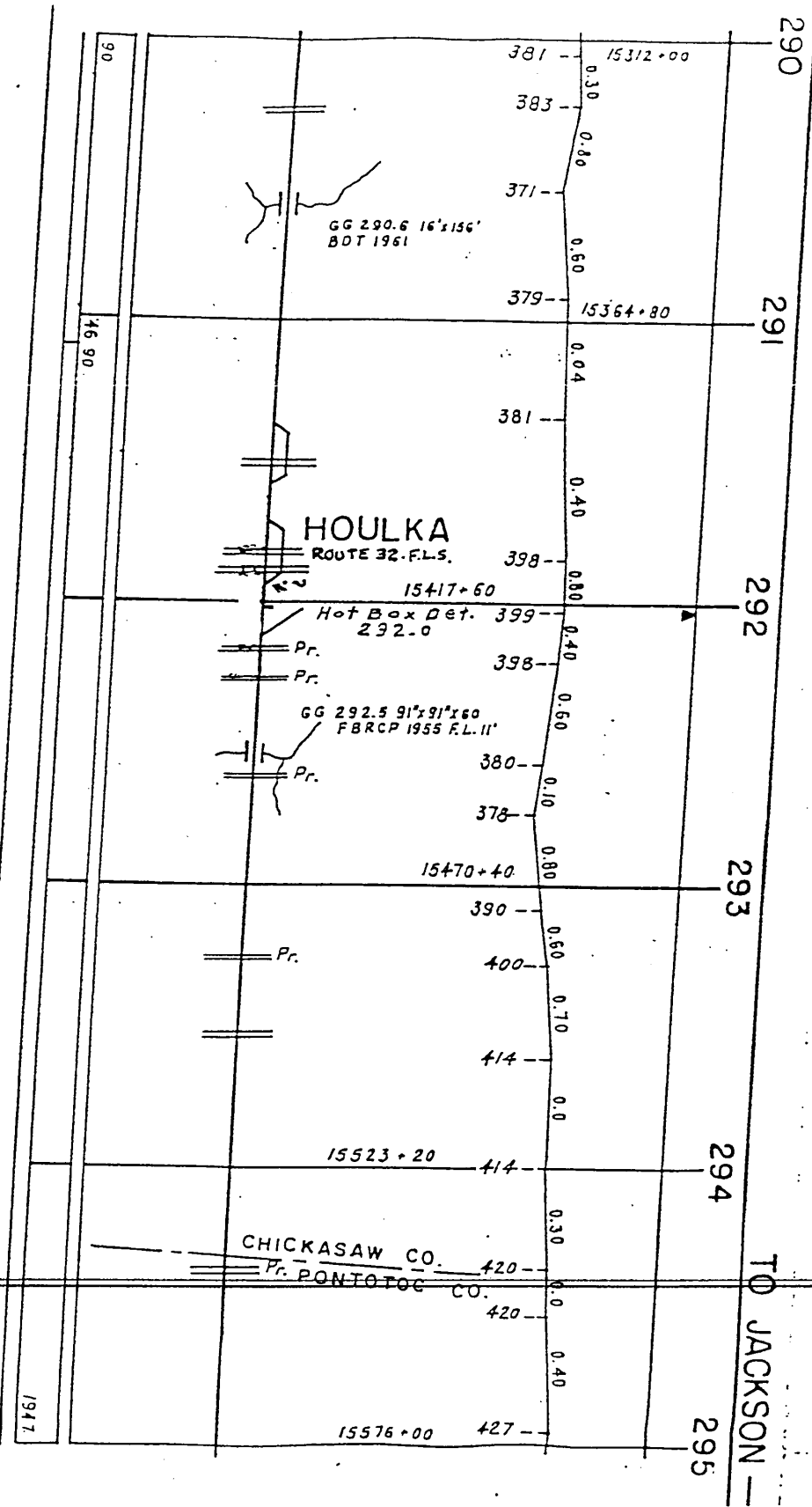
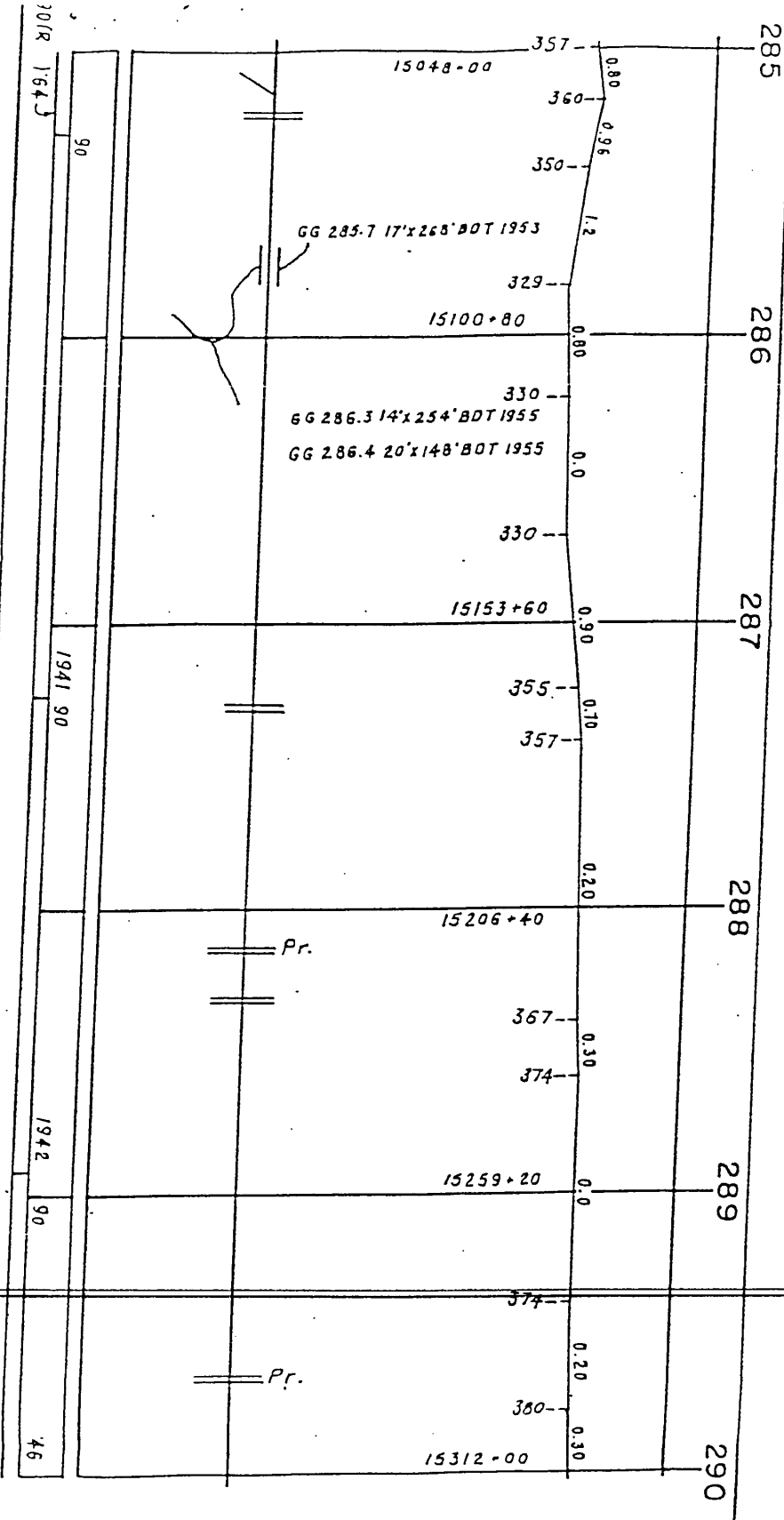


Fig. 10-1-10

MINA Truck Profile

B3 1111

-TO LOUISVILLE

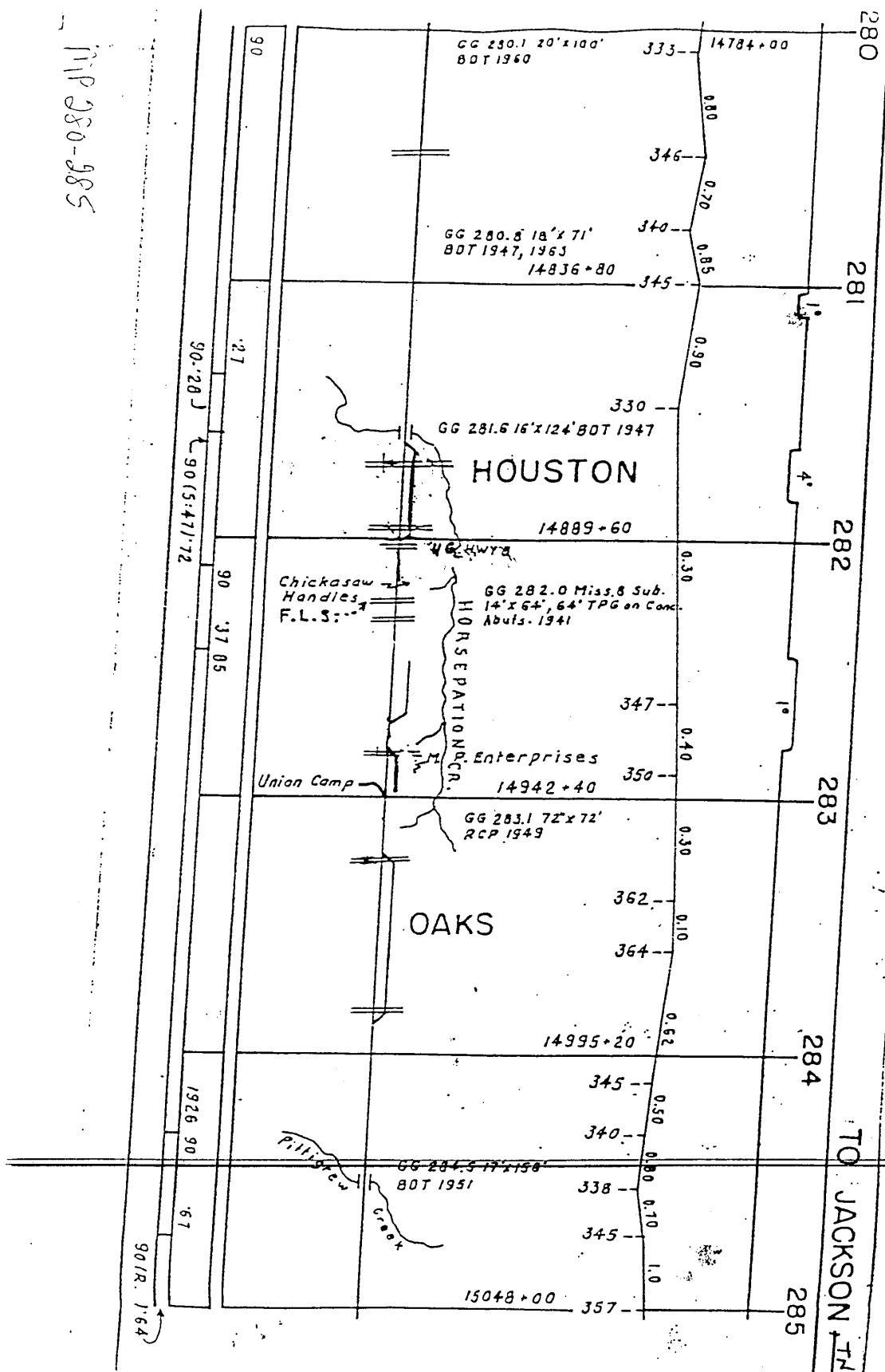


WIP 285-290

330 MTRB Truck Profile

pg 14/15

11P 280-285



MISSISSIPPI TENNESSEE RAILROAD L.L.C.

TIMETABLE

AND

SPECIAL INSTRUCTIONS

NO. 1

EFFECTIVE AT 0001

31-May-03

[illegible]

TRACKS BETWEEN STATIONS

NAME	DIR.	M.P.	FOOTAGE
MOLTON SPUR	N	363.6..	600
WALNUT	N&S	360.4..	1413
BITLRITE	N&S	348.8..	1750
OILDRI	N&S	346.3..	1566
RIPLEY WOOD	S	344.9..	1300
WESTVACO WOOD	S	342.3..	1090
PROFILE PRODUCTS	S	340.2..	1890
BLUE MTN PRODUCTS	S	336.6..	1570
MISS CHEMICAL	N	328.5..	2641
NEW ALBANY WD	N	328.4..	840
ECRU	N&S	314.5..	1820
PONTOTOC WOOD	S	308.7..	840
FUTORIAN SAWMILL	S	305.0..	510
FARMERS MKT	N&S	304.8..	1760
TRAVIS McCain	S	292.2..	800
HOULKA GRAIN	N	291.7..	1300
POLE YARD	S	285.2..	890

SPECIAL INSTRUCTIONS

1.. Speed Restrictions

(A) Maximum Speed Permitted

Middleton MP 368.6 to Houston MP 281.5.....	10mph
Trains and Engines Through Turnouts.....	10mph
On Sidings.....	10mph
On Tracks Other Than Main Tracks or Sidings.....	5mph

(B) Control of Harmonic Rocking

Freight trains, other than coal trains, or trains or train consisting entirely of empty equipment. Which cannot maintain a minimum speed of 21 MPH must reduce speed to not exceed 13 MPH until movement can again exceed 21 MPH.

2.. Type of Operation

(A) Rule 6.13 Yard Limits

Houston.....	MP281.5 to MP286.0
New Albany.....	MP324.0 to MP328.5
Campbell.....	MP345.5 to MP347.0
Middleton.....	MP367.5 to MP368.6

(B) Rule 6.15 Block Register Territory (BRT)

BRT limits MP284.0 to MP367.5 Register located at 111B West Main St.
New Albany, MS.....

Houston.....	MP286.0 to MP324.0
Middleton block	MP328.5 to MP345.5
	MP347.0 to MP367.5

3.. Special Conditions

New Albany... At Bankhead Street, MP325.4, crossing must be
Protected by a member of the crew prior to any train,
Engine, or switching movement.
Walnut..... Stop and Flag Siding only..... DOT#304-864P
Houston..... Stop and Flag Pittsboro Ave..... DOT#304-634W
New Albany... BNSF automatic interlocking. Pull train or engine up to
Block signal and wait 5 minutes. If no trains are
evident, active the automatic interlocking button. Wait
6 minutes. Be governed by signal indication, Detailed
instruction are inside the door of the interlocking building.

4.. F R A Excepted Track - 10 MPH

MP 310.5 to MP 306
MP 286.0 to MP 281
BNSF crossing to MP 347
Main St. overpass New Albany to MP 313.9
All yard tracks.

5.. Track side Failed Equipment Detectors (FED)

None

6.. IN EFFECT ON MISSISSIPPI TENNESSEE RAILROAD

Employees will be governed by:
General code of operating rules, fourth edition, effective April 2, 2000

BNSF Air Brake and Train Handling Rules, effective April 1, 1998
(MISSISSIPPI TENNESSEE RAILROAD should be substituted for any
reference to BNSF in this document or revision.)

BNSF Hazardous Material instructions effective April 1, 1998 (Mississippi
and Tennessee RailNet should be substituted for any reference to BNSF in this document.)

BNSF Maintenance of Way Operating Rules, effective August 1, 1996
(MISSISSIPPI TENNESSEE RAILROAD should be substituted for any
reference to other railroads.)

RailNet On-track Safety Manual for Roadway Worker
Protection, effective April 17, 1998
(MISSISSIPPI TENNESSEE RAILROAD should be substituted for any
reference to other railroads.)

North American Emergency Response Guidebook, 1996 edition.

RailNet Safe Work Practices, effective December 17, 1996.

7.. TRAIN INSPECTION

Train crews operating on Mississippi & Tennessee
RailNet trainman will inspect their trains at least every 20 miles.

8.. EQUIPMENT RESTRICTIONS

The following equipment must be placed next ahead of caboose or on
rear of cabooseless trains, except work trains.

- Pile drivers
- Locomotive cranes
- Empty ribbon rail cars
- Rear end only cars
- Jordan spreaders
- Wedge plows
- Dozers

When pile drivers, cranes, derricks or similar equipment are being moved on their own wheels or on cars in a train, they must be properly loaded and secured. Booms must be properly secured and, when possible, boom must be trailing. Equipment must be inspected before being moved.

Spreaders and dozers being moved in train must, when possible be headed in the direction train is moving and wings must be properly secured.

9.. CAR RESTRICTIONS

Six or eight axle cars as well as any dimensional cars (high wides) may not move on MISSISSIPPI TENNESSEE RAILROAD trackage without prior approval of the General Manager.

A high/wide load may be moved in a train only after excessive dimension clearance message is received or a crew member ascertains any applicable restrictions from the General Manager.

Crew member must advise the General Manager and other crew members that train contains a high/wide load. Until the General Manager has been notified, the crew member is responsible for protection against other wide loads.

Clearance message will contain all restrictions encountered over the entire route of movement.

When a high/wide load is set out enroute between terminals, load must be placed on a track which will provide sufficient clearance from the main track and the General Manager advised that car is being set out.

When the crew of a train containing a high/wide load is relieved, a crew member must ascertain that the crew has a copy of clearance message.

When a high/wide load is handled, the crew is responsible for compliance with all restrictions in an excessive dimension clearance message. A train must not pass a location where restriction is shown for the meeting or passing of trains without authority from the General Manager.

Rule 1.14 Employee Jurisdiction - first bullet point is amended to read:
Safety rule, air brake and train handling rules, and hazardous material instructions of the railroad they are employed by.

Rule 6.19

When flagging is required, distance will be 1.5 miles.

Rule 6.2.1 Train Location - add new rule reading:

Train or maintenance of way employees who receive authority to occupy the track after the arrival of a train or to follow a train must ascertain the train's location by one of the following methods:
Visual identification of the train.
Direct communication with a crew member of the train.

Rule 6.23 Emergency Stop or Severe Slack Action - is amended by adding:

Train must not proceed until it has been determined that it is safe to do so by visual inspection of train or knowledge that the brake pipe pressure has been restored by observing caboose gauge, End of Train Device (ETD) control head, or ascertaining that air pressure is present in the brake pipe by the following procedure:

- (A) After air brakes have had sufficient time to release following an emergency application, make a 20 psi brake pipe reduction and:
- (B) After brake pipe exhaust ceases, place automatic brake valve cutout to "OUT" position. If brake pipe pressure rapidly reduces to zero, entire train must be inspected. If air pressure is present in brake pipe, train may proceed.

Exception: If train exceed 5,000 tons, trains must be visually inspected unless emergency application of the brakes occurs at a speed above 30 MPH and it can be ascertained that brake pipe is continuous by observing pressure being restored on rear car after emergency application is released, or by performing steps "A" and "B" above.

ALL TRAINS : Train must be visually inspected before proceeding if unusual slack action was experienced when stopped or if excessive power is required to start train. If excessive power is not required to start train, and physical characteristics prevent a complete walking train inspection, inspect as much of the train as possible. The train may then be moved, but may not exceed 5 MPH for the distance necessary to complete the inspection, and must be stopped immediately if excessive power is required to keep train moving.

10.. TESTING BEARING TEMPERATURE

A heat indicating crayon or hand held infrared device must be used to test bearing temperature. Test bearing temperature by stroking the heat indicating crayon on the bearing cup. A liquid smear will remain on an overheated bearing.

When ambient temperature is 32 degrees Fahrenheit or above, use a 200 degree Fahrenheit heat indicating crayon to test bearing temperature.

When ambient temperature is below 32 degrees Fahrenheit, use a 163 degree Fahrenheit heat indicating crayon to test bearing temperature.

If a heat indicating crayon, or a hand held infrared device is not available, carefully pass your hand near the bearing without touching it. If a bearing is radiating more heat than the others, it is overheated.

Use crayon marker to write date and letter "X" above each journal indicated or found to be overheated and the date and letter "W" above each wheel indicated or found to be defective or overheated if the car is set out or remains in train.

Set out equipment with overheated bearing, and notify the General Manager.

If it is safe to move equipment, set out any car with an overheated bearing at a location accessible to repair personnel.

11.. GENERAL CODE OF OPERATING RULES CHANGES AND ADDITIONS

The following rules apply only on MISSISSIPPI TENNESSEE RAILROAD

Rule 1.5.1 Motor Vehicle Driving Records - new rule added

Employees certified as locomotive engineers, whatever class of service, must report:

Operating a motor vehicle while under the influence of or impaired by alcohol or a controlled substance.

Refusal to undergo such testing when a law enforcement official seeks to find out whether a person is operating under the influence of alcohol or a controlled substance.

An employee must report any convictions to the General Manager no later than the end of the first business day immediately following the day that the employee received notice of conviction.

- A. Automatic Warning Devices Malfunctioning...use the following table to properly complete movement over the crossing:

Movement When Automatic Warning Devices are Malfunctioning

If.....	Then....
The crossing is not protected by someone at the crossing.	Stop before occupying the crossing After a crew member is on the ground at the crossing to warn highway traffic, proceed over the crossing on hand signals from that crew member. or If devices are seen to be working proceed over the crossing at 15MPH without stopping until the head end of the train completely occupies the crossing. Then proceed at normal speed.
The crew is notified that the crossing is protected by 1 equipped flagger who is unable to protect the crossing in all directions of approaching traffic.	Proceed over the crossing at 15MPH without stopping until the head end of the train completely occupies the crossing. Then proceed at normal speed.
The crew is notified that the crossing is protected by 1 or more equipped flaggers who are able to protect the crossing in all directions of approaching traffic.	Proceed over the crossing at normal speed without stopping.

NOTE: An equipped flagger is a person other than a crew member who is equipped with an orange vest, orange shirt or orange jacket. At night the vest, shirt or jacket must be fluorescent. The flagger must have a red flag or stop paddle by day and a light at night.

Rule 7.6 Securing Cars of Engines- Following is added:

When hand brakes are required, apply a sufficient number of hand brakes, but not less than two when there are two or more cars.

13.. General Code of Operating Rules supplemental Instructions-

Several rules in the General code of Operating Rules allow and/or require that supplemental instructions be carried in the timetable or special instructions. Following find the supplemental instructions that apply to MISSISSIPPI TENNESSEE RAILROAD.

Rule 3.3 Time Signals - Time signals received from WWVTIME may be used to set watches and clocks to correct time. The hours are given in Co-ordinated Universal Time: so, only the minutes and seconds may be used. Telephone number for WWVTIME is (402) 271-4601.

Rule 4.3 Timetable Characters -

A- Automatic Interlocking

B- General Orders, Notices and Circulars (located at New Albany company office.)

K- Standard Clock

R- Block Register

Y- Yard Limits

Block Register entries - On MISSISSIPPI TENNESSEE RAILROAD

Trackage, authorized employees may make entries to occupy block register territory.

49 CFR, 214.307

In accordance with 49 CFR, 214.307, effective 0001, 27 June, 1998 MISSISSIPPI TENNESSEE RAILROAD has adopted the "Railway Worker Protection" program. Our Roadway Worker Protection Program requires that:

-Trains must sound their locomotive whistle and ring their bell when approaching roadway workers on or near the track, regardless of local whistle prohibitions.

-To give trains advanced notice of roadway workers on or near the track, each roadway worker fouling the track must wear company-approved fluorescent orange workwear with reflectorized striping.

Rules examinations

All employees must pass appropriate book of rules examinations within 90 days of date of employment, and all employees will be subject to reexamination of appropriate book of rules every two years.

Verification of rules examination

Employees required to pass rules examination must have a current rules examination card, or engineers license or certificate in their possession while on duty.

Grade Crossing Accidents -

The following information is designed to serve as post grade crossing accident guidelines. It is designed to provide the utmost in safety for you and your crew.

After the accident has occurred and the train is stopped:

- a. Ensure the safety of crew members, accident victims, and the public
- b. Meet the requirements of rule 6.23.
- c. Ascertain and advise emergency services of exact location of the accident.
- d. Include alternate routes for the emergency vehicles if your train is blocking road crossings.
- e. Assess the damage to the vehicle and train to determine if there is any danger to your crew or the public.
- f. Assign a crew member to monitor a radio to provide further information for emergency assistance.
- g. If it is safe, render assistance to accident victims. It is important not to move the victim unless a life threatening situation exists.
- h. Turn "off" the vehicles' ignition and inform the investigating officer you did so. Otherwise, do not disturb the accident scene.
- i. Only give information to:
 1. The investigating officer, or
 2. Authorized company managers. Cooperate with the investigating officer. Answer the officer's question and provide as much information as you can recall. Record the badge number and name of the investigating police officer at the scene. Witness with the officer that the headlight is on, and that the whistle and bell on lead unit are in proper working order. Also, note that the crossing warning devices are functioning.
- j. Assign a crew member to verify the accuracy of the train list. Save all train list, track warrants, track condition messages and other pertinent documents for the proper Mississippi & Tennessee RailNet managers.
- k. Ascertain that no part of your train is derailed and that it will be safe to proceed once released by the investigating officer.
- l. Personal counseling will be available to any crew member who might experience post-accident trauma.
- m. Take pictures of scene, including crossing and surrounding area.

14 Tornado and Earthquake Instructions

If a train or yard assignment has an occupied caboose, upon being notified of a tornado watch, the occupants of the caboose should immediately move to the locomotive consist. While in the process of moving to the locomotive, if the tornado watch turns into a "tornado warning". Or a funnel cloud is spotted, those affected should seek shelter in a nearby ditch, ravine, culvert, under a bridge or in a depression. If none of these are available, lie face down on the ground with hands over head away from the caboose or cars in the train.

A "tornado warning" means a tornado has been sighted or verified by the National Weather Services or by persons associated with official weather spotters. Train crew are to follow instructions as follows:

During a tornado warning, all train movements and yard activities must stop. Any train enroute will stop and employees should seek appropriate shelter consistent with the safety of all involved, avoiding the stopping of a train on a high bridge, across railroad and highway crossings at grade, or anywhere the presence of a train could be a hindrance.

After the tornado warning has been cleared and such information has reached the train crews, if the path of the tornado crossed the tracks at their location or in the immediate vicinity, crew members must inspect their train before moving to determine if any damage or derailment has occurred to the train or if the track structure has been damaged. After inspecting the train and the track, the train may proceed, prepared to stop when approaching bridges, culverts or other points likely to be affected.

Earthquake Instructions:

When an earthquake is reported, do the following:

1. Instruct all trains within 150 miles of the reporting location to "proceed at restricted speed due to earthquake conditions." An acknowledgment must be obtained from each train or engine receiving these instructions.

2. Once magnitude and epicenter are known, the following inspection criteria will apply:
- If magnitude is 4.9 to 5.5:
 - No inspection is required.
 - If magnitude is 5.5 to 5.9:
 - Track inspection for a 30 mile radius during daylight hours.
 - inspect bridges on 30 mile radius during daylight hours.
 - Trains proceed at restricted speed until track inspections are completed.
 - if magnitude is 6.0 to 6.4:
 - Track and bridge inspection for a 50 mile radius
 - Trains stop until all inspections are completed
 - If magnitude is 6.5 to 6.9:
 - Track and bridge inspection for a 70 mile radius
 - Trains stop until all inspections are completed
 - If magnitude is 7.0 to 7.4:
 - Track and bridge inspection for a 100 mile radius.
 - Trains stop until all inspections are completed.
 - If magnitude is 7.5 and above:
 - Inspections radius at the descretion of the General Manager.
 - Trains stop until instructed to proceed.

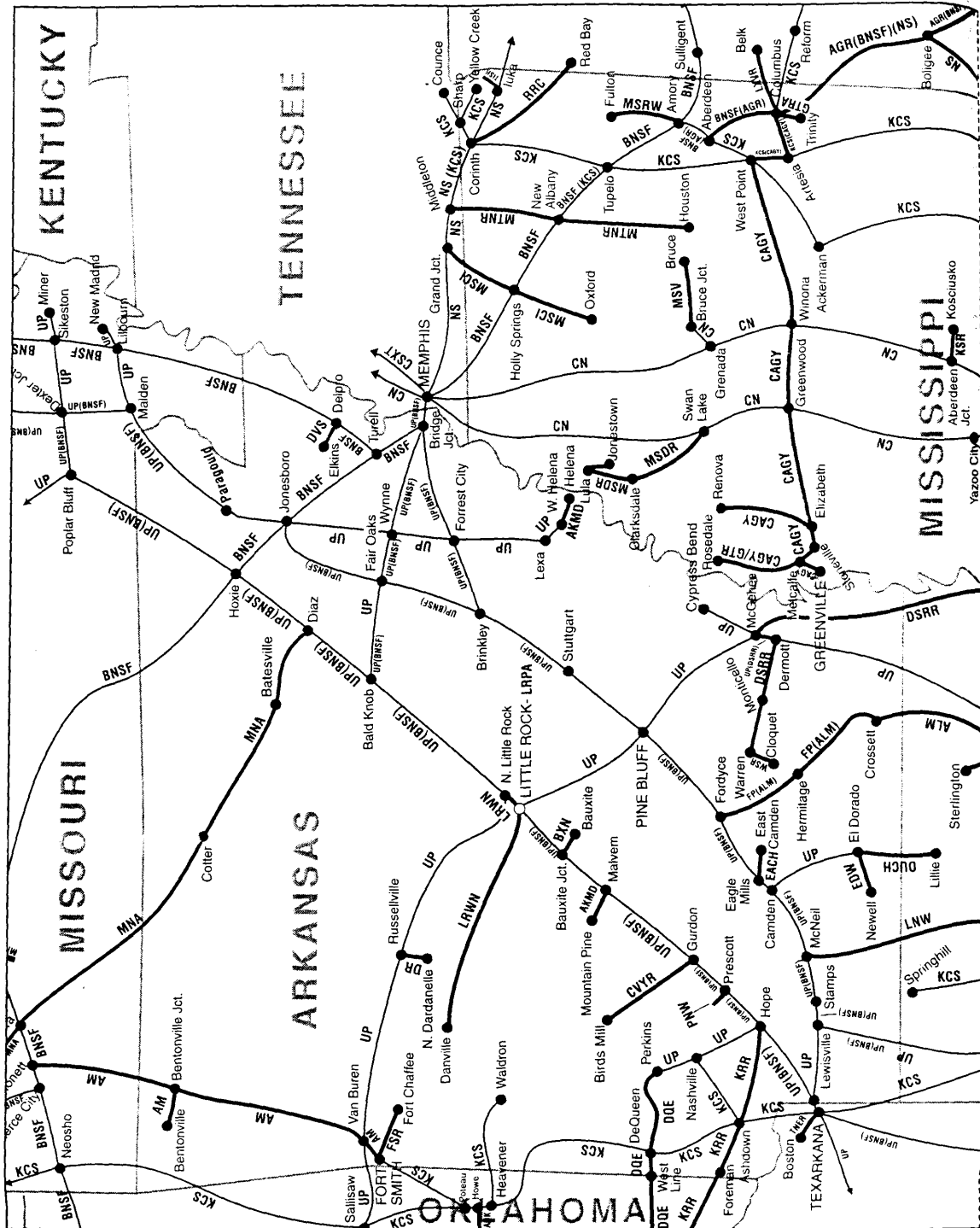
FRA Engineer Decertification:

MISSISSIPPI TENNESSEE RAILROAD qualifies vioiations set forth in Federal Railroad Adminisration 49 CFR Part 240, Qualifications for Locomotive Engineer 240.117 that will result in decertification, as follows:

- 240.117(1) Failure to stop short of a:
- Block signal displaying a Stop or Stop and Proceed Indication.
 - Stop sign of fixed location.
 - Red flag.
- 240.117(2) If maximum permissable speed is exceeded by at least 10 MPH or by more than one-half of the authorized speed, whichever is less.
- If any of the following events occur when operating under a condition requiring stopping within one-half the range of vision.
- Impact with other equipment resulting in damage or derailment.
 - Run through an improperly lined dual control switch.
 - Failure to stop short of any person giving a stop signal.
- 240.117(3) Failure to make any of the following air test when required:
- Initial Terminal Air Test.
 - Transfer Train/Yard Air Test.
 - Application and Release Air Test.
 - Picking Up Cars enroute.

REGION 12
AR/LA/MS

Appendix 7



DRAFT FEDERAL REGISTER NOTICE PER 49 C.F.R. 1152.60(c)

STB No. AB-868X, *Mississippi Tennessee Holdings, LLC-- Abandonment Exemption -- in Union, Pontotoc and Chickasaw Counties, MS*

STB No. AB-869X, *Mississippi Tennessee Railroad, LLC -- Discontinuance of Service Exemption -- in Union, Pontotoc and Chickasaw Counties, MS*

Notice of Petition for Exemption to Abandon and Discontinue Service

On April 7, 2004, MISSISSIPPI TENNESSEE HOLDINGS, LLC (Holdings) and MISSISSIPPI TENNESSEE RAILROAD, LLC (Railroad) filed with the Surface Transportation Board, Washington, DC, a Joint Petition for Exemption from 49 U.S.C. 10903 for Holdings' abandonment of, and Railroad's discontinuance of rail service over a line of railroad extending between Milepost 324.2 south of New Albany (approximately ¼-mile south of Interstate Highway 78) and Milepost 281.0 south of Houston, a distance of 43.2 miles in Union, Pontotoc and Chickasaw Counties, Mississippi. Stations on the rail line are located at points having the following USPS ZIP codes: Pontotoc (38863), Houlka (38850) and Houston (38851), all in Mississippi.

The rail line does not contain federally granted rights-of-way. Any documentation in the railroad's possession will be made available promptly to those requesting it.

The interest of railroad employees would be protected by imposition of conditions to approval of abandonment imposed in *Oregon Short Line R. Co. - Abandonment - Goshen*, 360 I.C.C. 91 (1979).

Any offer of financial assistance will be due no later than 10 days after service of a decision granting the petition for exemption.

All interested persons should be aware that following abandonment of rail service and salvage of the line, the line may be suitable for other public use, including interim trail use.

Any request for a public use condition and any request for trail use/rail banking will be due no later than 20 days after notice of the filing of the petition for exemption is published in the Federal Register.

Persons seeking further information concerning abandonment procedures may contact the Surface Transportation Board or refer to the full abandonment or discontinuance regulations at 49 C.F.R. part 1152. Questions concerning environmental issues may be directed to the Board's Section of Environmental Analysis.

**Docket No. AB-868X & 869X
Petition for Exemption**

APPENDIX 8 (Page 1 of 2)

An environmental assessment (EA) (or environmental impact statement (EIS), if necessary) prepared by the Section of Environmental Analysis will be served upon all parties of record and upon any agencies or other persons who commented during its preparation. Any other persons who would like to obtain a copy of the EA (or EIS) may contact the Section of Environmental Analysis. EAs in these abandonment proceedings normally will be made available within 60 days of the filing of the petition. The deadline for submission of comments on the EA will generally be within 30 days of its service.

**Docket No. AB-868X & 869X
Petition for Exemption**

APPENDIX 8 (Page 2 of 2)

APPENDIX 9 - Draft Environmental & Historic Report

BEFORE THE
SURFACE TRANSPORTATION BOARD

MISSISSIPPI TENNESSEE HOLDINGS, LLC -- ABANDONMENT EXEMPTION --)	
IN UNION, PONTOTOC AND CHICKASAW COUNTIES, MS)	DOCKET NO. AB-868X
)	
MISSISSIPPI TENNESSEE RAILROAD, LLC -- DISCONTINUANCE OF SERVICE)	
EXEMPTION -- IN UNION, PONTOTOC AND CHICKASAW COUNTIES, MS)	DOCKET NO. AB-869X
)	

DRAFT ENVIRONMENTAL AND HISTORIC REPORT

MISSISSIPPI TENNESSEE HOLDINGS, LLC
102 Willow Drive
P.O. Box 99
O'Fallon, IL 62269

Petitioner

MISSISSIPPI TENNESSEE RAILROAD, LLC
200 North Railroad Ave.
New Albany, MS 38652

Petitioner

THOMAS F. McFARLAND
THOMAS F. McFARLAND, P.C.
208 South LaSalle Street, Suite 1890
Chicago, IL 60604-1112
(312) 236-0204

Attorney for Petitioners

DATE FILED: March 16, 2004

Docket No. AB-868X & AB-869X
Env. & Historic Report

BEFORE THE
SURFACE TRANSPORTATION BOARD

MISSISSIPPI TENNESSEE HOLDINGS,)	
LLC -- ABANDONMENT EXEMPTION --)	DOCKET NO. AB-868X
IN UNION, PONTOTOC AND)	
CHICKASAW COUNTIES, MS)	
)	
MISSISSIPPI TENNESSEE RAILROAD,)	
LLC -- DISCONTINUANCE OF SERVICE)	DOCKET NO. AB-869X
EXEMPTION -- IN UNION, PONTOTOC)	
AND CHICKASAW COUNTIES, MS)	

DRAFT ENVIRONMENTAL AND HISTORIC REPORT

Pursuant to 49 C.F.R. § 1105.7 and § 1105.8, MISSISSIPPI TENNESSEE HOLDINGS, LLC (Holdings) and MISSISSIPPI TENNESSEE RAILROAD, LLC (Railroad) hereby file this Draft Environmental and Historic Report (Report). There is no information in the files of Holdings and Railroad to indicate that the rail line covered by this Report contains federally granted right-of-way. See 49 C.F.R. § 1152.60(d).

I.

DRAFT ENVIRONMENTAL REPORT

Holdings and Railroad hereby submit the following information required by 49 C.F.R. § 1105.7(e):

(1) Proposed action and alternatives. Describe the proposed action, including commodities transported, the planned disposition (if any) of any rail line and other structures that may be involved, and any possible changes in current operations or maintenance practices. Also describe any reasonable alternatives to the proposed action. Include a readable, detailed map and drawings clearly delineating the project.

The proposed action is abandonment by Holdings and discontinuance of rail service by Railroad over a 43.2-mile segment of rail line between Milepost 324.2 south of New Albany (approximately ¼-mile south of Interstate Highway 78) and Milepost 281.0 south of Houston, in Union, Pontotoc and Chickasaw Counties, MS. Holdings and Railroad intend to file a petition for exemption for that abandonment and discontinuance no earlier than 20 days after issuance of this Report. See 49 C.F.R. § 1105.7(b) and 49 C.F.R. § 1152.60.

The principal commodities that have been transported over the rail line are paper, cardboard, fertilizer, grain, glue and logs.

Holdings proposes to dispose of the track materials in the rail line by removal and sale for reuse or scrap. Holdings proposes to dispose of the land in the railroad right-of-way by sale for corridor use or on a piecemeal basis.

If the petition for exemption were to be granted, current rail operations and maintenance practices would cease.

In the opinion of Holdings and Railroad, there is no reasonable alternative to the proposed abandonment and discontinuance because continued ownership and operation of the rail line would be unduly burdensome to Holdings, Railroad and interstate commerce. In the event that the Petition were to be granted, an alternative to abandonment would be an offer of financial assistance under 49 U.S.C. § 10904.

Attached to this Report as Appendix 1 is a railroad atlas of the State of Mississippi on which the rail line here involved has been highlighted in yellow.

(2) Transportation system. Describe the effects of the proposed action on regional or local transportation systems and patterns. Estimate the amount of traffic (passenger or freight) that will be diverted to other transportation systems or modes as a result of the proposed action.

Holdings and Railroad believe that the proposed abandonment and discontinuance will have a minimal effect on regional and local transportation systems and patterns. In the seven-month period between June 1 and December 31, 2003, a total of 293 carloads of freight moved over the rail line. Holdings and Railroad estimate that 568 carloads of freight will move over the rail line in 2004. At roughly four trucks per rail carload, that would equate to 2,272 truck shipments in a one-year period, or approximately six additional truck movements per day on local highways. Mississippi Highway 15 between Houston, MN and Interstate Highway 78 is in adequate condition to easily accommodate that minimal increase in truck traffic.

(3) Land use. (i) Based on consultation with local and/or regional planning agencies and/or a review of the official planning documents prepared by such agencies, state whether the proposed action is consistent with existing land use plans. Describe any inconsistencies.

Holdings and Railroad believe that the proposed abandonment and discontinuance will not be inconsistent with local or regional land use plans. There appears to be little possibility that loss of rail service would adversely affect land use in the area. Rail use of the line is declining. There appears to be little prospect for locating rail-using businesses along the rail line.

In accordance with the requirements of this regulation, Holdings and Railroad have consulted by letter with planning agencies for Union, Pontotoc and Chickasaw Counties and for the municipalities of Pontotoc and Houston. Copies of letters to those agencies are attached to this Report as Appendix 2. Responses received from those agencies will be furnished to the Board's Section of Environmental Analysis (SEA).

(ii) Based on consultation with the U.S. Soil Conservation Service, state the effect of the proposed action on any prime agricultural land.

Holdings and Railroad do not believe that the proposed abandonment and discontinuance

will have any effect on prime agricultural land. The rail line is adjacent to agricultural land at some locations, but is not itself agricultural land. Removal of trackage from the rail line should not have any effect on prime agricultural land. In accordance with this regulation, Holdings and Railroad have consulted by letter with the Natural Resource Conservation Service, formerly known as the U.S. Soil Conservation Service (Appendix 3). Any response to that letter will be furnished to SEA.

(iii) If the action affects land or water uses within a designated coastal zone, include the coastal zone information required by Sec. 1105.9.

Not applicable. The rail line is not located in a designated coastal zone.

(iv) If the proposed action is an abandonment, state whether or not the right-of-way is suitable for alternative public use under 49 U.S.C. 10905 and explain why.

The rail line may be suitable for alternative public use as a recreational trail because of the assembled nature of the right-of-way corridor. It is doubtful that the rail line would be suitable for highway use in light of existing highways in the area.

(4) Energy. (i) Describe the effect of the proposed action on transportation of energy resources.

The proposed action will have no effect on transportation of energy resources.

(ii) Describe the effect of the proposed action on recyclable commodities.

The proposed action will have no effect on recyclable commodities.

(iii) State whether the proposed action will result in an increase or decrease in overall energy efficiency and explain why.

The proposed action will result in a decrease in overall energy efficiency because rail transportation is more energy efficient than truck transportation. However, the decrease will be minimal. See response to item 2 above.

(iv) If the proposed action will cause diversions from rail to motor carriage of more than: (A) 1,000 rail carloads a year; or (B) An average of 50 rail carloads per mile per year

for any part of the affected line, quantify the resulting net change in energy consumption and show the data and methodology used to arrive at the figure given. To minimize the production of repetitive data, the information on overall energy efficiency in Sec. 1105.7(e)(4)(iii) need not be supplied if the more detailed information in Sec. 1105.7(e)(4)(iv) is required.

Not applicable.

(5) Air. (i) If the proposed action will result in either: (A) An increase in rail traffic of at least 100 percent (measured in gross ton miles annually) or an increase of at least eight trains a day on any segment of rail line affected by the proposal, or (B) An increase in rail yard activity of at least 100 percent (measured by carload activity), or (C) An average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on any affected road segment, quantify the anticipated effect on air emissions. For a proposal under 49 U.S.C. 10901 (or 10505) to construct a new line or reinstitute service over a previously abandoned line, only the eight train a day provision in subsection (5)(i)(A) will apply. (ii) If the proposed action affects a class I or nonattainment area under the Clean Air Act, and will result in either: (A) An increase in rail traffic of at least 50 percent (measured in gross ton miles annually) or an increase of at least three trains a day on any segment of rail line, (B) An increase in rail yard activity of at least 20 percent (measured by carload activity), or (C) An average increase in truck traffic of more than 10 percent of the average daily traffic or 50 vehicles a day on a given road segment, then state whether any expected increased emissions are within the parameters established by the State Implementation Plan. However, for a rail construction under 49 U.S.C. 10901 (or 49 U.S.C. 10505), or a case involving the reinstitution of service over a previously abandoned line, only the three train a day threshold in this item shall apply. (iii) If transportation of ozone depleting materials (such as nitrogen oxide and freon) is contemplated, identify: the materials and quantity; the frequency of service; safety practices (including any speed restrictions); the applicant's safety record (to the extent available) on derailments, accidents and spills; contingency plans to deal with accidental spills; and the likelihood of an accidental release of ozone depleting materials in the event of a collision or derailment.

Not applicable.

(6) Noise. If any of the thresholds identified in item (5)(i) of this section are surpassed, state whether the proposed action will cause: (i) An incremental increase in noise levels of three decibels Ldn or more; or (ii) An increase to a noise level of 65 decibels Ldn or greater. If so, identify sensitive receptors (e.g., schools, libraries, hospitals, residences, retirement communities, and nursing homes) in the project area, and quantify the noise increase for these receptors if the thresholds are surpassed.

Not applicable.

(7) Safety. (i) Describe any effects of the proposed action on public health and safety

(including vehicle delay time at railroad grade crossings).

The proposed exemption will have a beneficial effect on public health and safety.

Discontinuance of rail operations over the rail line will result in the closing and elimination of 33 public at-grade road crossings along the line. That will reduce vehicle delay time and the potential for rail-motor vehicle accidents in the area.

(ii) If hazardous materials are expected to be transported, identify: the materials and quantity; the frequency of service; whether chemicals are being transported that, if mixed, could react to form more hazardous compounds; safety practices (including any speed restrictions); the applicant's safety record (to the extent available) on derailments, accidents and hazardous spills; the contingency plans to deal with accidental spills; and the likelihood of an accidental release of hazardous materials. (iii) If there are any known hazardous waste sites or sites where there have been known hazardous materials spills on the right-of-way, identify the location of those sites and the types of hazardous materials involved.

Not applicable.

(8) Biological resources. (i) Based on consultation with the U.S. Fish and Wildlife Service, state whether the proposed action is likely to adversely affect endangered or threatened species or areas designated as a critical habitat, and if so, describe the effects.

Holdings and Railroad do not believe that it is likely that the proposed action would adversely affect endangered or threatened species or areas designated as critical habitat. In accordance with this regulation, Holdings and Railroad have consulted by letter with the U.S. Fish and Wildlife Service (Appendix 4). Any response to that letter will be furnished to SEA.

(ii) State whether wildlife sanctuaries or refuges, National or State parks or forests will be affected, and describe any effects.

Holdings and Railroad do not believe that the proposed exemption would affect wildlife sanctuaries or refuges, nor National or State parks or forests.

(9) Water. (i) Based on consultation with State water quality officials, state whether the proposed action is consistent with applicable Federal, State or local water quality standards.

Describe any inconsistencies.

Holdings and Railroad believe that the proposed exemption will be consistent with applicable Federal, State or local water quality standards. In accordance with this regulation, Holdings and Railroad have consulted by letter with Mississippi water quality officials (Appendix 5). Any response to that letter will be furnished to SEA.

(ii) Based on consultation with the U.S. Army Corps of Engineers, state whether permits under section 404 of the Clean Water Act (33 U.S.C. 1344) are required for the proposed action and whether any designated wetlands or 100-year flood plains will be affected. Describe the effects.

Holdings and Railroad believe that permits under section 404 of the Clean Water Act are not required for the proposed exemption. Holdings and Railroad do not believe that the proposed action will affect any designated wetlands or 100-year flood plains. In accordance with this regulation, Holdings and Railroad have consulted by letter with the U.S. Army Corps of Engineers (Appendix 6). Any response to that letter will be furnished to SEA.

(iii) State whether permits under section 402 of the Clean Water Act (33 U.S.C. 1342) are required for the proposed action. (Applicants should contact the U.S. Environmental Protection Agency or the state environmental protection or equivalent agency if they are unsure whether such permits are required.)

Holdings and Railroad believe that permits under section 402 of the Clean Water Act are not required for the proposed action. In accordance with this regulation, Holdings and Railroad have consulted by letter with the U.S. Environmental Protection Agency (Appendix 7). Any response to that letter will be furnished to SEA.

(10) Proposed Mitigation. Describe any actions that are proposed to mitigate adverse environmental impacts, indicating why the proposed mitigation is appropriate.

Not applicable.

II.

HISTORIC REPORT

Holdings and Railroad hereby submit the following information required by 49 C.F.R.

§ 1105.8(d):

(1) A U.S.G.S. topographic map (or an alternate map drawn to scale and sufficiently detailed to show buildings and other structures in the vicinity of the proposed action) showing the location of the proposed action, and the locations and approximate dimensions of railroad structures that are 50 years old or older and are part of the proposed action;

An equivalent map is attached to this Report as Appendix 8.

(2) A written description of the right-of-way (including approximate widths, to the extent known), and the topography and urban and/or rural characteristics of the surrounding area;

The right-of-way to be abandoned is generally 100 feet wide and 43.2 miles long. It extends generally through rural rolling wooded and pastured plains.

(3) Good quality photographs (actual photographic prints, not photocopies) of railroad structures on the property that are 50 years old or older and of the immediately surrounding area;

Attached to this Report as Appendix 9 are photographs of the 10 bridges on the rail line that are 50 years old or older.

(4) The date(s) of construction of the structure(s), and the date(s) and extent of any major alterations, to the extent such information is known;

Attached to this Report as Appendix 10 is a listing of the dates of construction of the bridges that are 50 years old or older.

(5) A brief narrative history of carrier operations in the area, and an explanation of what, if any, changes are contemplated as a result of the proposed action;

The line proposed to be abandoned was originally a part of the main line of the Gulf, Mobile & Northern Railroad Company. It was acquired by Illinois Central Railroad Company through

merger. It was sold to Mississippi & Tennessee Railnet, from whom Holdings acquired the line in May, 2003.

(6) A brief summary of documents in the carrier's possession, such as engineering drawings, that might be useful in documenting a structure that is found to be historic;

No such documents are in Holding's or Railroad's possession.

(7) An opinion (based on readily available information in the railroad's possession) as to whether the site and/or structures meet the criteria for listing on the National Register of Historic Places (36 CFR 60.4), and whether there is a likelihood of archeological resources or any other previously unknown historic properties in the project area, and the basis for these opinions (including any consultations with the State Historic Preservation Office, local historical societies or universities);

It is the opinion of Holdings and Railroad that the bridges listed in Appendix 11 do not meet the criteria for listing on the National Register of Historical Places, and that there is no likelihood of archeological resources or any other previously unknown historic properties in the project area. In accordance with this regulation, Holdings and Railroad have consulted by letter with the Mississippi Historic Preservation Office (Appendix 11). Any response to that letter will be furnished to SEA.

(8) A description (based on readily available information in the railroad's possession) of any known prior subsurface ground disturbance or fill, environmental conditions (naturally occurring or manmade) that might affect the archeological recovery of resources (such as swampy conditions or the presence of toxic wastes), and the surrounding terrain.

Holdings and Railroad have no knowledge of any prior sub-surface ground disturbance or fill, or environmental conditions that might affect the archeological recovery of resources and the surrounding terrain.

Respectfully submitted,

MISSISSIPPI TENNESSEE HOLDINGS, LLC
102 Willow Drive
P.O. Box 99
O'Fallon, IL 62269

Petitioner

MISSISSIPPI TENNESSEE RAILROAD, LLC
200 North Railroad Ave.
New Albany, MS 38652

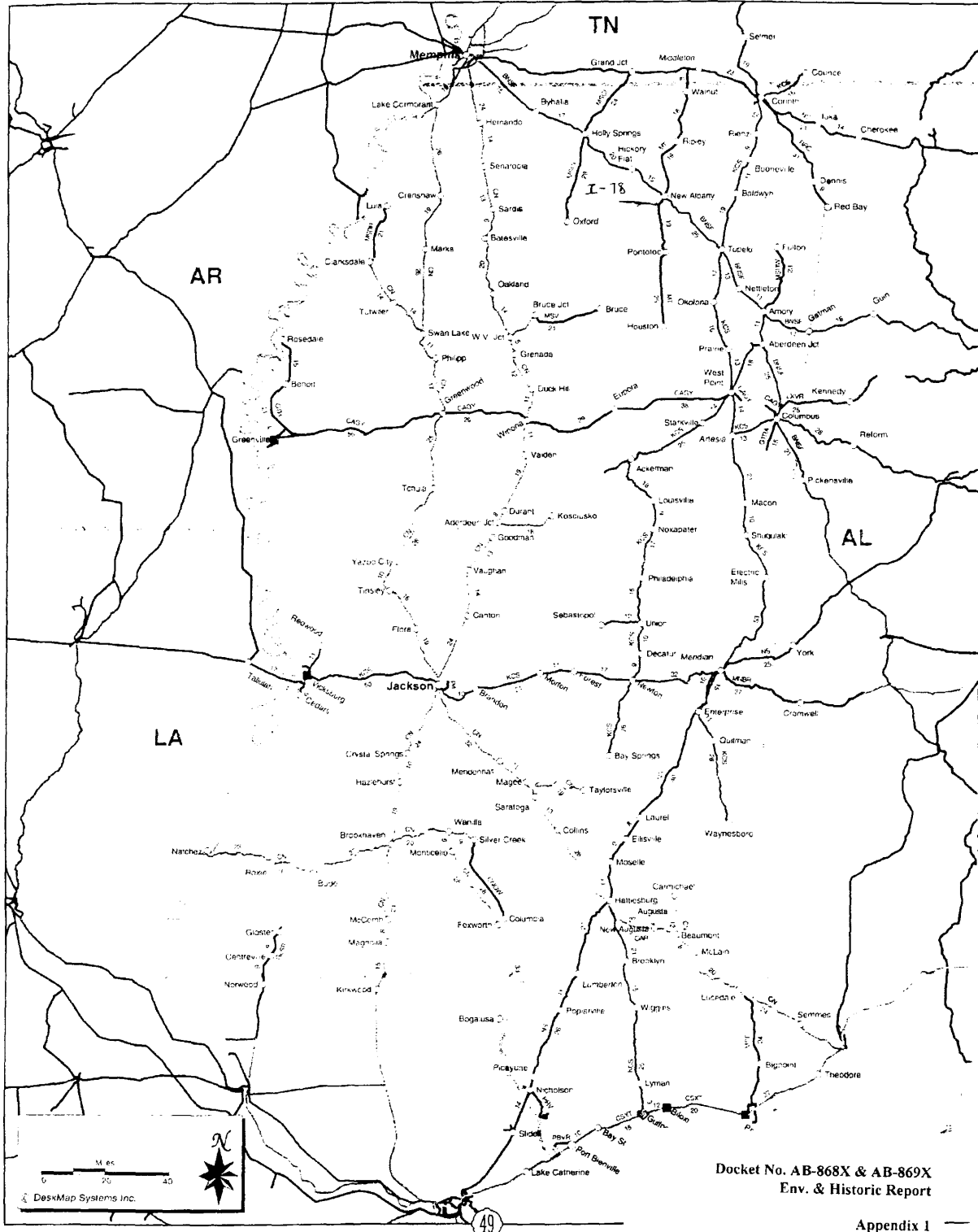
Petitioner

Thomas F. McFarland

THOMAS F. McFARLAND
THOMAS F. McFARLAND, P.C.
208 South LaSalle Street, Suite 1890
Chicago, IL 60604-1112
(312) 236-0204

Attorney for Petitioners

DATE FILED: March 16, 2004



Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 1

LAW OFFICE
THOMAS F. MCFARLAND, P.C.
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CHICAGO, ILLINOIS 60604-1112
TELEPHONE (312) 236-0204
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mcfarland@aol.com

THOMAS F. MCFARLAND

March 15, 2004

Chickasaw County, MS
Planning Department
101 North Jefferson Street
County Courthouse
Houston, MS 38851-2513

Pontotoc County, MS
Planning Department
P.O. Box 209
Pontotoc, MS 38863

Union County, MS
Planning Department
P.O. Box 847
County Courthouse
New Albany, MS 38652-0847

City of Pontotoc, MS
Planning Department
Pontotoc City Hall
116 North Main St.
Pontotoc, MS 38863

City of Houston, MS
Planning Department
120 East Madison Street
Houston, MS 38851

Re: STB Docket No. AB-868X, *Mississippi Tennessee Holdings, LLC --
Abandonment Exemption -- in Union, Pontotoc and Chickasaw Counties, MS*

STB Docket No. AB-869X, *Mississippi Tennessee Railroad, LLC --
Discontinuance of Service -- in Union, Pontotoc and Chickasaw Counties, MS*

Gentlemen:

On or about April 7, 2004, I expect to file a petition with the Surface Transportation Board (STB) in behalf of Mississippi Tennessee Holdings, LLC (Holdings) for an exemption for abandonment of its rail line between Milepost 324.2 south of New Albany (approximately ¼-mile south of Interstate Highway 78) and Milepost 281.0 south of Houston, a distance of 43.2 miles in Union, Pontotoc and Chickasaw Counties, MS, and for discontinuance of service over that rail line by Mississippi Tennessee Railroad, LLC (Railroad). The petition would be captioned as above. All rail service would cease and trackage would be removed between the identified mileposts.

Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 2 (Page 1 of 2)

THOMAS F. MCFARLAND

Planning Department
March 15, 2004
Page 2

Enclosed is a draft Environmental and Historic Report that I have prepared to describe the proposed action and its environmental and historic effects. The action is described in Item 1 of the Environmental Report. A map of the area appears as Appendix 1 attached to the Report.

Pursuant to STB regulations, Holdings and Railroad are required to consult with your agencies regarding the effect of the proposed action on local and regional land use plans (see Item 3(i) of the Environmental Report).

You are entitled to comment on the draft of statements that I have made. Any comments that you submit will be considered by the STB in evaluating the environmental and historic impacts of the proposed abandonment.

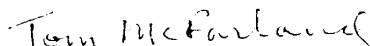
Your comments should be directed to:

Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

You should send a copy of your comments to me at the address shown on this letterhead. Because the applicable statutes and regulations impose stringent deadlines for processing exemptions for abandonment, any comments that you submit should be sent within 3 weeks of your receipt of this letter.

Should you have any questions, you can contact the STB's Section of Environmental Analysis at (202) 565-1552 or the undersigned at (312) 236-0204.

Very truly yours,



Thomas F. McFarland
*Attorney for Mississippi Tennessee
Holdings, LLC and Mississippi
Tennessee Railroad, LLC*

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Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 2 (Page 2 of 2)

LAW OFFICE
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mcfarland@aol.com

THOMAS F. MCFARLAND

March 15, 2004

USDA Natural Resource Conservation Service
Jackson State Office
Suite 1321, Federal Building
100 West Capitol Street
Jackson, MS 39269

Re: STB Docket No. AB-868X, *Mississippi Tennessee Holdings, LLC --
Abandonment Exemption -- in Union, Pontotoc and Chickasaw Counties, MS*

STB Docket No. AB-869X, *Mississippi Tennessee Railroad, LLC --
Discontinuance of Service -- in Union, Pontotoc and Chickasaw Counties, MS*

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Enclosed is a draft Environmental and Historic Report that I have prepared to describe the proposed action and its environmental and historic effects. The action is described in Item 1 of the Environmental Report. A map of the area appears as Appendix 1 attached to the Report.

Pursuant to STB regulations, Holdings and Railroad are required to consult with your agencies regarding the effect of the proposed action on any prime agricultural land (see Item 3(ii) of the Environmental Report).

You are entitled to comment on the draft of statements that I have made. Any comments that you submit will be considered by the STB in evaluating the environmental and historic impacts of the proposed abandonment.

**Docket No. AB-868X & AB-869X
Env. & Historic Report**

Appendix 3 (Page 1 of 2)

THOMAS F. MCFARLAND

USDA Natural Resource Conservation Service
March 15, 2004
Page 2

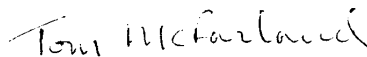
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Very truly yours,



Thomas F. McFarland
*Attorney for Mississippi Tennessee
Holdings, LLC and Mississippi
Tennessee Railroad, LLC*

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Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 3 (Page 2 of 2)

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mcfarland@aol.com

THOMAS F. MCFARLAND

March 15, 2004

U.S. Fish & Wildlife Service
Southeast Region 4
P.O. Box 49226
Atlanta, GA 30359

Re: STB Docket No. AB-868X, *Mississippi Tennessee Holdings, LLC --
Abandonment Exemption -- in Union, Pontotoc and Chickasaw Counties, MS*

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Enclosed is a draft Environmental and Historic Report that I have prepared to describe the proposed action and its environmental and historic effects. The action is described in Item 1 of the Environmental Report. A map of the area appears as Appendix 1 attached to the Report.

Pursuant to STB regulations, Holdings and Railroad are required to consult with your agencies regarding the effect of the proposed action on whether the abandonment would be likely to adversely affect endangered or threatened species or areas designated as critical habitat (see Item 8(i) of the Environmental Report).

You are entitled to comment on the draft of statements that I have made. Any comments that you submit will be considered by the STB in evaluating the environmental and historic impacts of the proposed abandonment.

Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 4 (Page 1 of 2)

THOMAS F. MCFARLAND

US Fish & Wildlife Service
March 15, 2004
Page 2

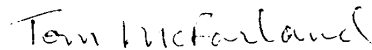
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Very truly yours,



Thomas F. McFarland
*Attorney for Mississippi Tennessee
Holdings, LLC and Mississippi
Tennessee Railroad, LLC*

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LAW OFFICE
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mcfarland@aol.com

THOMAS F. MCFARLAND

March 15, 2004

Mississippi Department
of Environmental Quality
P.O. Box 20305
Jackson, MS 39289

Re: STB Docket No. AB-868X, *Mississippi Tennessee Holdings, LLC --
Abandonment Exemption -- in Union, Pontotoc and Chickasaw Counties, MS*

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Enclosed is a draft Environmental and Historic Report that I have prepared to describe the proposed action and its environmental and historic effects. The action is described in Item 1 of the Environmental Report. A map of the area appears as Appendix 1 attached to the Report.

Pursuant to STB regulations, Holdings and Railroad are required to consult with your agencies regarding the effect of the proposed action on applicable Federal, State or local water quality standards (see Item 9(i) of the Environmental Report).

You are entitled to comment on the draft of statements that I have made. Any comments that you submit will be considered by the STB in evaluating the environmental and historic impacts of the proposed abandonment.

**Docket No. AB-868X & AB-869X
Env. & Historic Report**

Appendix 5 (Page 1 of 2)

THOMAS F. MCFARLAND

MS Dept. of Environmental Quality
March 15, 2004
Page 2

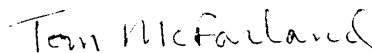
Your comments should be directed to: -

Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

You should send a copy of your comments to me at the address shown on this letterhead. Because the applicable statutes and regulations impose stringent deadlines for processing exemptions for abandonment, any comments that you submit should be sent within 3 weeks of your receipt of this letter.

Should you have any questions, you can contact the STB's Section of Environmental Analysis at (202) 565-1552 or the undersigned at (312) 236-0204.

Very truly yours,



Thomas F. McFarland
*Attorney for Mississippi Tennessee
Holdings, LLC and Mississippi
Tennessee Railroad, LLC*

T:\McF\kl:enc:wp8.0\985\lrmdeq1

LAW OFFICE
THOMAS F. MCFARLAND, P.C.
208 SOUTH LASALLE STREET - SUITE 1890
CHICAGO, ILLINOIS 60604-1112
TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. MCFARLAND

March 15, 2004

U.S. Army Corps of Engineers
4155 Clay Street
Vicksburg, MS 39180-3435

Re: STB Docket No. AB-868X, *Mississippi Tennessee Holdings, LLC --
Abandonment Exemption -- in Union, Pontotoc and Chickasaw Counties, MS*

STB Docket No. AB-869X, *Mississippi Tennessee Railroad, LLC --
Discontinuance of Service -- in Union, Pontotoc and Chickasaw Counties, MS*

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Pursuant to STB regulations, Holdings and Railroad are required to consult with your agencies regarding the effect of the proposed action on whether permits under section 404 of the Clean Water Act are required for the abandonment (see Item 9(ii) of the Environmental Report).

You are entitled to comment on the draft of statements that I have made. Any comments that you submit will be considered by the STB in evaluating the environmental and historic impacts of the proposed abandonment.

Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 6 (Page 1 of 2)

THOMAS F. MCFARLAND

U.S. Army Corps of Engineers
March 15, 2004
Page 2

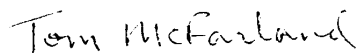
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Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

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Very truly yours,



Thomas F. McFarland
*Attorney for Mississippi Tennessee
Holdings, LLC and Mississippi
Tennessee Railroad, LLC*

T.McF:kl:enc:wp8.0\985\ltrasace1

Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 6 (Page 2 of 2)

LAW OFFICE
THOMAS F. MCFARLAND, P.C.
208 SOUTH LASALLE STREET - SUITE 1890
CHICAGO, ILLINOIS 60604-1112
TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. MCFARLAND

March 15, 2004

U.S. Environmental Protection Agency
Region 4
Sam Nunn Atlanta Federal Center
61 Forsyth Street, SW
Atlanta, GA 30303-3104

Re: STB Docket No. AB-868X, *Mississippi Tennessee Holdings, LLC --
Abandonment Exemption -- in Union, Pontotoc and Chickasaw Counties, MS*

STB Docket No. AB-869X, *Mississippi Tennessee Railroad, LLC --
Discontinuance of Service -- in Union, Pontotoc and Chickasaw Counties, MS*

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Enclosed is a draft Environmental and Historic Report that I have prepared to describe the proposed action and its environmental and historic effects. The action is described in Item 1 of the Environmental Report. A map of the area appears as Appendix 1 attached to the Report.

Pursuant to STB regulations, Holdings and Railroad are required to consult with your agency regarding the effect of the proposed action on whether permits under section 402 of the Clean Water Act are required for the abandonment (see Item 9(iii) of the Environmental Report).

You are entitled to comment on the draft of statements that I have made. Any comments that you submit will be considered by the STB in evaluating the environmental and historic impacts of the proposed abandonment.

Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 7 (Page 1 of 2)

THOMAS F. MCFARLAND

U.S. Environmental Protection Agency
March 15, 2004
Page 2

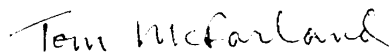
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Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

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Should you have any questions, you can contact the STB's Section of Environmental Analysis at (202) 565-1552 or the undersigned at (312) 236-0204.

Very truly yours,



Thomas F. McFarland
*Attorney for Mississippi Tennessee
Holdings, LLC and Mississippi
Tennessee Railroad, LLC*

TMcf:kl:enc:wp8.0\890\ltrusepa1

Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 7 (Page 2 of 2)

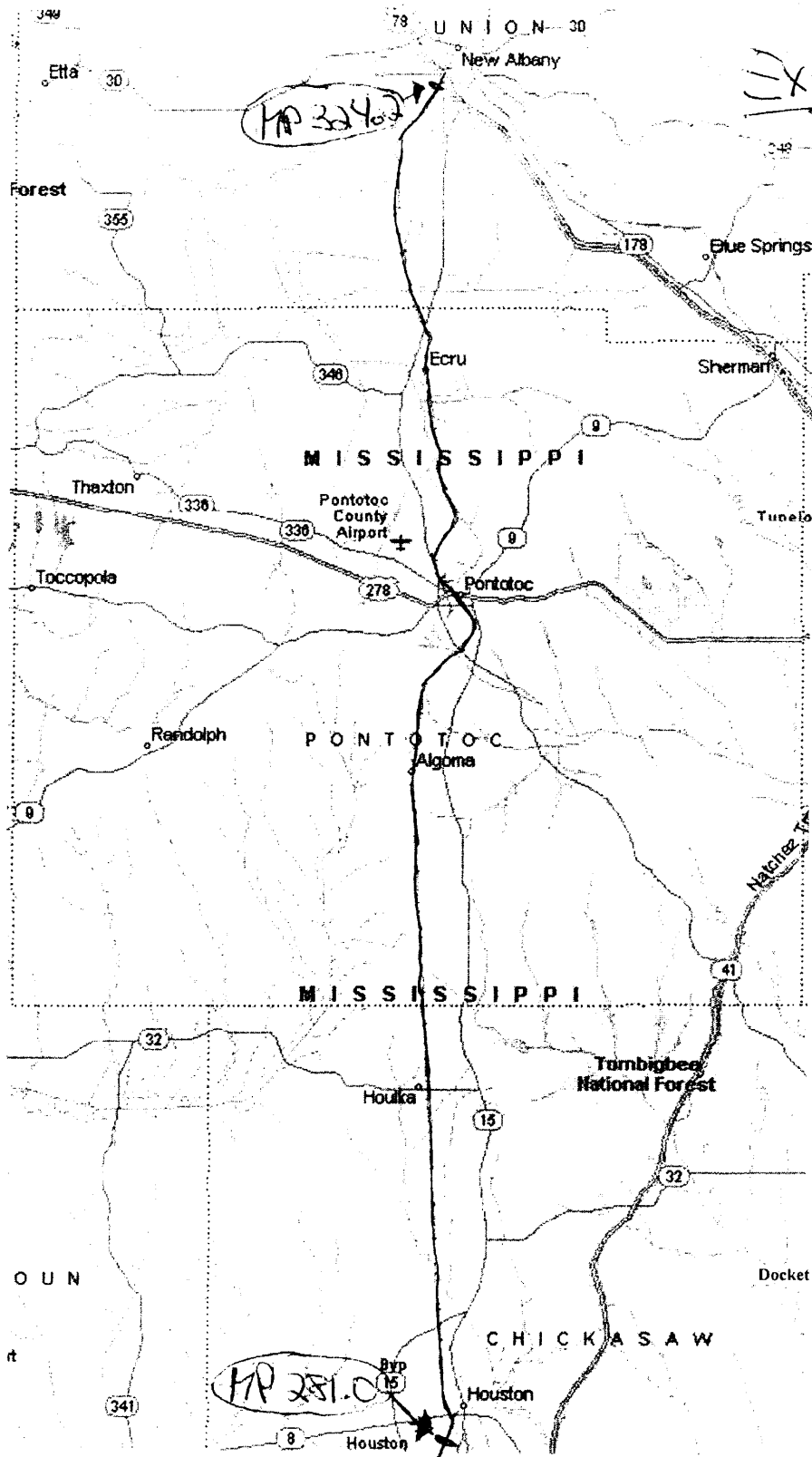
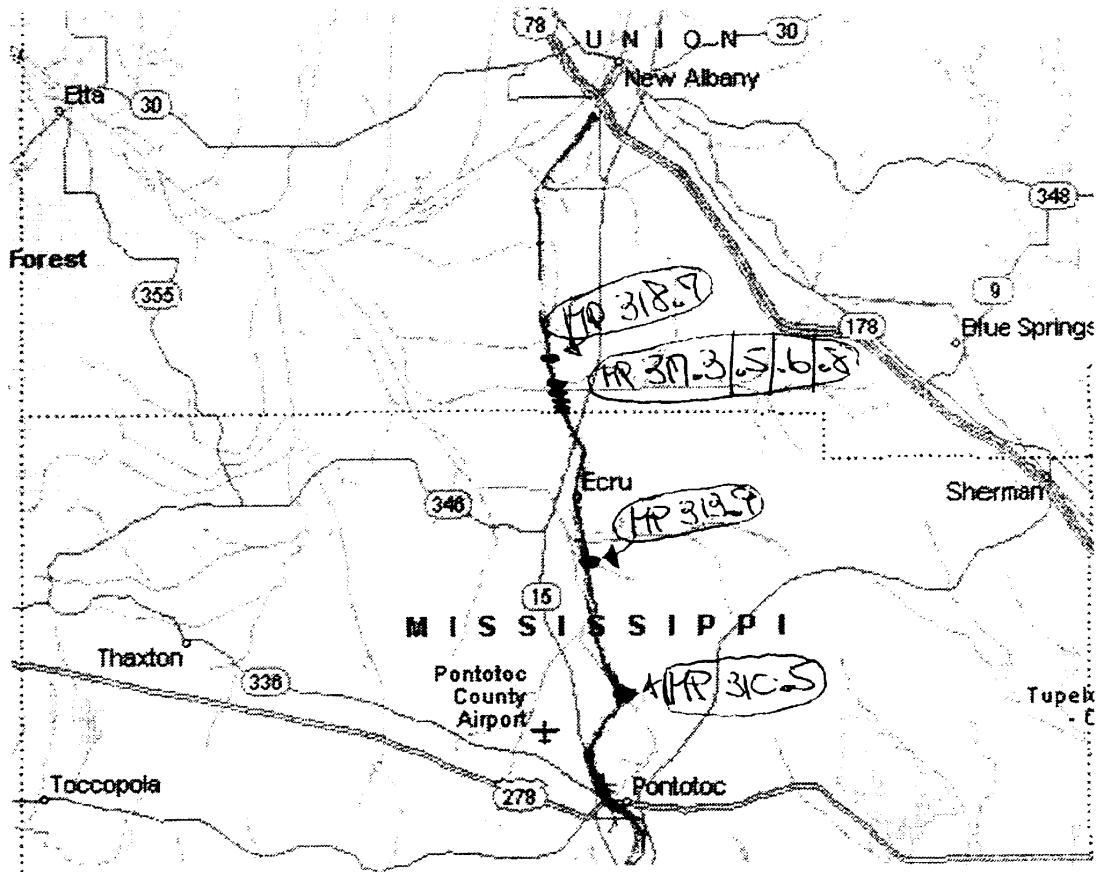


EXHIBIT "A"

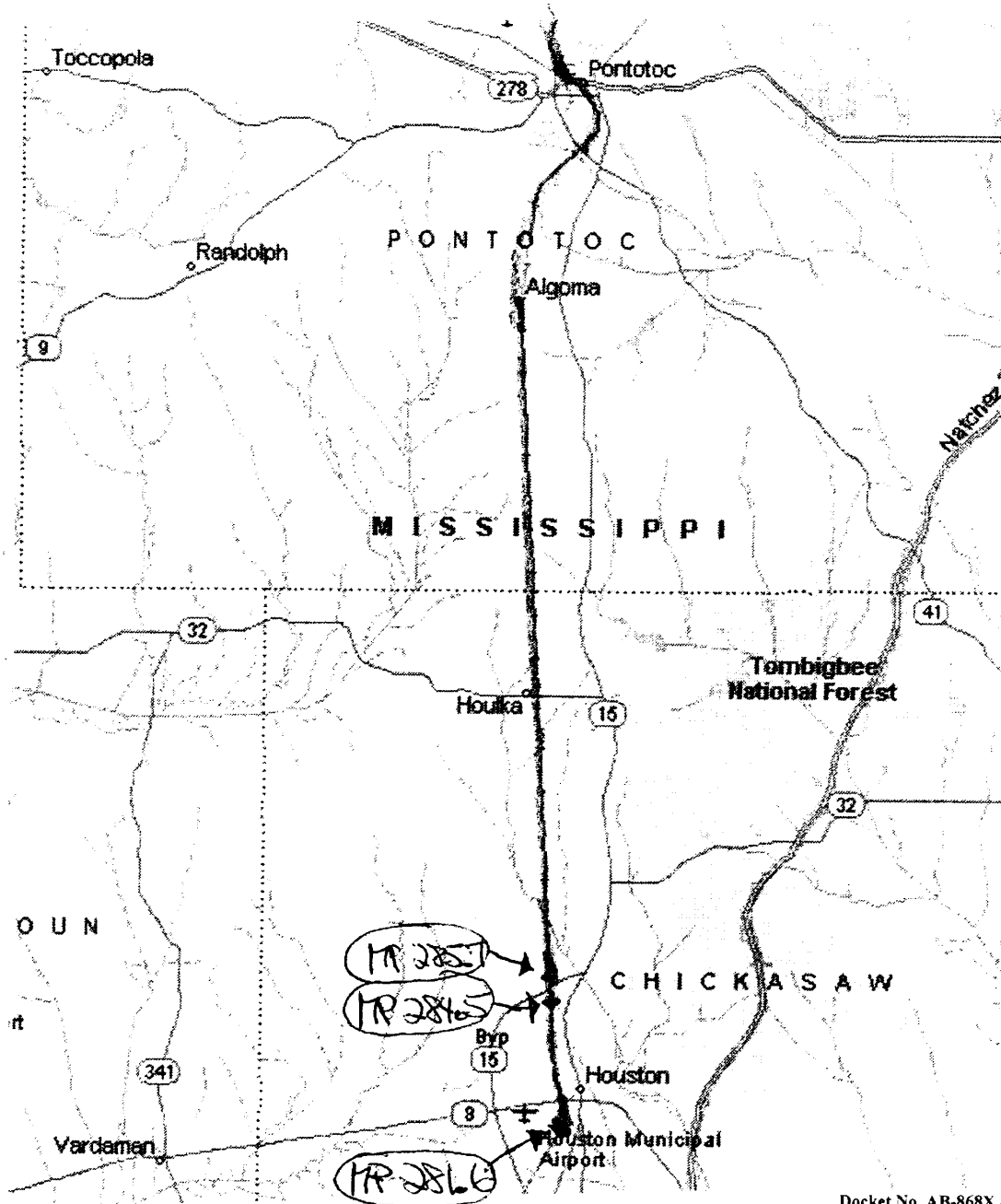
PRINCE
LOAN

Docket No. AB-868X & AB-869X
Env. & Historic Report
Appendix 8 (Page 1 of 3)



Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 8 (Page 2 of 3)



Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 8 (Page 3 of 3)



Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 9 (Page 1 of 10)



Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 9 (Page 2 of 10)



Docket No. AB-868X & AB-869X
Env. & Historic Report
Appendix 9 (Page 3 of 10)



Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 9 (Page 4 of 10)



Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 9 (Page 5 of 10)



Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 9 (Page 6 of 10)



Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 9 (Page 7 of 10)



Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 9 (Page 8 of 10)



317.8

Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 9 (Page 9 of 10)



Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 9 (Page 10 of 10)

DATES OF CONSTRUCTION OF BRIDGES

<u>BRIDGE LOCATIONS, MILEPOST NOS.</u>	<u>CONSTRUCTED IN YEAR</u>
281.6	1947
284.5	1951
285.7	1953
310.5	1952
313.9	1954
317.3	1950
317.5	1951
317.6	1950
317.8	1950
318.7	1951

LAW OFFICE
THOMAS F. MCFARLAND, P.C.
208 SOUTH LASALLE STREET - SUITE 1890
CHICAGO, ILLINOIS 60604-1112
TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

THOMAS F. MCFARLAND

March 15, 2004

Mississippi Historic Preservation Office
Department of Archives and History
P.O. Box 571
Jackson, MS 39205-0571

Re: STB Docket No. AB-868X, *Mississippi Tennessee Holdings, LLC --
Abandonment Exemption -- in Union, Pontotoc and Chickasaw Counties, MS*

STB Docket No. AB-869X, *Mississippi Tennessee Railroad, LLC --
Discontinuance of Service -- in Union, Pontotoc and Chickasaw Counties, MS*

Dear Sir or Madam:

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Enclosed is a draft Environmental and Historic Report that I have prepared to describe the proposed action and its environmental and historic effects. The action is described in Item 1 of the Environmental Report. A map of the area appears as Appendix 1 attached to the Report.

Pursuant to STB regulations, Holdings and Railroad are required to consult with your agencies regarding the effect of the proposed action on whether the bridges that are 50 years old or older meet the criteria for listing on the National Register of Historic Places, and whether there is a likelihood of archeological resources or any other previously unknown historic properties in the project area (see Items 3 and 7 of the Historic Report).

You are entitled to comment on the draft of statements that I have made. Any comments that you submit will be considered by the STB in evaluating the environmental and historic impacts of the proposed abandonment.

Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 11 (Page 1 of 2)

THOMAS F. MCFARLAND

Mississippi Historic Preservation Office
March 15, 2004
Page 2

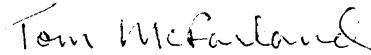
Your comments should be directed to: .

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Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

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Should you have any questions, you can contact the STB's Section of Environmental Analysis at (202) 565-1552 or the undersigned at (312) 236-0204.

Very truly yours,



Thomas F. McFarland
*Attorney for Mississippi Tennessee
Holdings, LLC and Mississippi
Tennessee Railroad, LLC*

TMcf:kl:enc:wp8.0\985\lrmhpol

Docket No. AB-868X & AB-869X
Env. & Historic Report

Appendix 11 (Page 2 of 2)

CERTIFICATE OF SERVICE

I hereby certify that on March 15, 2004, I served the foregoing document, Draft
Environmental And Historic Report, by first-class, U.S. mail, postage prepaid, on the following:

Mississippi State Clearinghouse
Clearinghouse Office
Department of Finance and Administration
Office of Policy Development
1301 Woolfolk Building, Suite 3
501 North West Street
Jackson, MS 39201

Mississippi Environmental Protection Agency
Department of Environmental Quality
P.O. Box 20305
Jackson, MS 39289

Mississippi Coastal Zone Management Agency
Department of Marine Resources
1141 Bayview Avenue
Suite 101
Biloxi, MS 39530

U.S. Environmental Protection Agency
Region 4
Sam Nunn Atlanta Federal Center
61 Forsyth Street, SW
Atlanta, GA 30303-3104

National Geodetic Survey
NOAA, N/NGS12
SSMC-3, #9202
1315 East-West Highway
Silver Spring, MD 20910-3282

U.S. Fish & Wildlife Service
Southeast Region 4
P.O. Box 49226
Atlanta, GA 30359

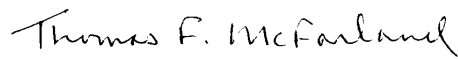
U.S. Army Corps of Engineers
4155 Clay Street
Vicksburg, MS 39180-3435

The National Park Service
100 Alabama Street, S.W.
Atlanta, GA 30303

Pontotoc County, MS
P.O. Box 209
Pontotoc, MS 38863

Union County, MS
P.O. Box 847
New Albany, MS 38652-0847

Chickasaw County, MS
101 North Jefferson Street
Houston, MS 38851-2513



Thomas F. McFarland

APPENDIX 10

Comments received after submission of Draft Environmental & Historic Report



HISTORIC PRESERVATION
PO Box 571, Jackson, MS 39205-0571
601-576-6940 • Fax 601-576-6955
mdah.state.ms.us

RECEIVED

MAR 22 2004

McFARLAND

March 18, 2004

Mr. Thomas F. McFarland, P.C.
208 South LaSalle Street, Suite 1890
Chicago, Illinois 60604-1112

RE: STB Docket No. AB-868X, Mississippi Tennessee Holdings, LLC—
Abandonment Exemption—in Union, Pontotoc and Chickasaw Counties, MS

STB Docket No. AB-869X, Mississippi Tennessee Railroad, LLC—
Discontinuance of Service—in Union, Pontotoc and Chickasaw Counties, MS

Dear Sir:

We have reviewed our records in regard to the above referenced abandonment of rail line and discontinuance of service, and we have no comments or objections to this action.

If you need additional information, please let me know.

Sincerely,

Thomas H. Waggener
Review and Compliance Officer

EO 12372
WEEKLY LOG
PGM=N150

STATE OF MISSISSIPPI
STATE CLEARINGHOUSE FOR FEDERAL PROGRAMS

DATE 03/17/04
03/23/04

MS APPLICANT NO.: MS040318-002
IMPACT AREA(S): MULTI-COUNTY

APPLICANT:
MS TENNESSEE HOLDINGS, LLC
% THOMAS F. MCFARLAND
208 S. LASALLE ST. SUITE 1890
CHICAGO IL 60604-1112

CONTACT: THOMAS F. MCFARLAND
PHONE: (312) 236-0204

FEDERAL AGENCY:

FUNDING: FEDERAL
LOCAL
TOTAL

APPLICANT
OTHER

STATE
PROGRAM

DESCRIPTION: ABANDONMENT BY HOLDINGS AND DISCONTINUANCE OF RAIL SERVICE
BY RAILROAD OVER A 43.2 MILE SEGMENT OF RAIL LINE BETWEEN
MILEPOST 324.2 SOUTH OF NEW ALBANY AND MILEPOST 281.0
SOUTH OF HOUSTON IN UNION, PONTOTOC AND CHICKASAW COUNTIES,
MS.

CATALOG OF FEDERAL DOMESTIC ASSISTANCE NUMBER

1301 WOOLFOLK BLDG., SUITE E - JACKSON, MS 39201 (601) 359-6762

RECEIVED

MAR 29 2004

- THIS IS AN ACKNOWLEDGEMENT ONLY -

MCFARLAND

STATE AGENCIES MUST REVIEW CERTAIN PROPOSALS PRIOR TO
RECEIVING MISSISSIPPI INTERGOVERNMENTAL REVIEW PROCESS CLEARANCE.
THE MISSISSIPPI DEPARTMENT OF ARCHIVES AND HISTORY REVIEWS ANY
PROPOSALS INVOLVING CONSTRUCTION, SUCH AS A HIGHWAY OR AN
APARTMENT COMPLEX FOR COMPLIANCE WITH CULTURAL RESOURCES AND
HISTORIC PRESERVATION. MISSISSIPPI DEPARTMENT OF ENVIRONMENTAL
QUALITY, OFFICE OF POLLUTION CONTROL, REVIEWS APPLICATIONS IN
ACCORDANCE WITH THE FEDERAL WATER POLLUTION CONTROL ACT. THE
MISSISSIPPI DEPARTMENT OF MARINE RESOURCES REVIEWS APPLICATIONS
FOR CONSISTENCY WITH THE COASTAL PROGRAM.

IF APPLICATIONS ARE FOR PROJECTS OF LOCAL IMPACT, THEY
SHOULD BE SENT TO THE APPROPRIATE PLANNING AND DEVELOPMENT
DISTRICT AT THE SAME TIME. PLEASE NOTE THAT ONE OF OUR
REQUIREMENTS IS THE USE OF STANDARD FORM 424. THE DEPARTMENT
OF FINANCE AND ADMINISTRATION PREPARES AND DISTRIBUTES A WEEKLY
LOG LISTING PERTINENT INFORMATION CONTAINED ON THIS FORM. OUR
ADDRESS IS 1301 WOOLFOLK BLDG., SUITE E - JACKSON , MS 39201 AND
OUR PHONE NUMBER IS (601)359-6762.

LAW OFFICE
THOMAS F. MCFARLAND, P.C.
208 SOUTH LASALLE STREET - SUITE 1890
CHICAGO, ILLINOIS 60604-1112
TELEPHONE (312) 236-0204
FAX (312) 201-9695
mcfarland@aol.com

RECEIVED

MAR 25 2004

MCFARLAND

THOMAS F. MCFARLAND

March 15, 2004

U.S. Fish & Wildlife Service
Southeast Region 4
P.O. Box 49226
Atlanta, GA 30359

Re: STB Docket No. AB-868X, *Mississippi Tennessee Holdings, LLC --
Abandonment Exemption -- in Union, Pontotoc and Chickasaw Counties, MS*

STB Docket No. AB-869X, *Mississippi Tennessee Railroad, LLC --
Discontinuance of Service -- in Union, Pontotoc and Chickasaw Counties, MS*

Dear Sir or Madam:

On or about April 7, 2004, I expect to file a petition with the Surface Transportation Board (STB) in behalf of Mississippi Tennessee Holdings, LLC (Holdings) for an exemption for abandonment of its rail line between Milepost 324.2 south of New Albany (approximately ¼-mile south of Interstate Highway 78) and Milepost 281.0 south of Houston, a distance of 43.2 miles in Union, Pontotoc and Chickasaw Counties, MS, and for discontinuance of service over that rail line by Mississippi Tennessee Railroad, LLC (Railroad). The petition would be captioned as above. All rail service would cease and trackage would be removed between the identified mileposts.

Enclosed is a draft Environmental and Historic Report that I have prepared to describe the proposed action and its environmental and historic effects. The action is described in Item 1 of the Environmental Report. A map of the area appears as Appendix 1 attached to the Report.

Pursuant to STB regulations, Holdings and Railroad are required to consult with your agencies regarding the effect of the proposed action on whether the abandonment would be likely to adversely affect endangered or threatened species or areas designated as critical habitat (see Item 8(i) of the Environmental Report).

You are entitled to comment on the draft of statements that I have made. Any comments that you submit will be considered by the STB in evaluating the environmental and historic impacts of the proposed abandonment.

THOMAS F. MCFARLAND

US Fish & Wildlife Service
March 15, 2004
Page 2

Your comments should be directed to:

Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

You should send a copy of your comments to me at the address shown on this letterhead. Because the applicable statutes and regulations impose stringent deadlines for processing exemptions for abandonment, any comments that you submit should be sent within 3 weeks of your receipt of this letter.

Should you have any questions, you can contact the STB's Section of Environmental Analysis at (202) 565-1552 or the undersigned at (312) 236-0204.

Very truly yours,

Tom McFarland

Thomas F. McFarland
*Attorney for Mississippi Tennessee
Holdings, LLC and Mississippi
Tennessee Railroad, LLC*

TMcF:kl:enc:wp8.0\985\ltrasf&ws1

<input checked="" type="checkbox"/> No Significant adverse wetland impacts	
<input checked="" type="checkbox"/> No listed, proposed or candidate species present	
<i>Kathy W. Linceford</i>	
Environmental Coordinator	
U.S. Fish and Wildlife Service	
04-529	3/23/04
Log No.	Date

United States Department of Agriculture



Natural Resources Conservation Service
Suite 1321, Federal Building
100 West Capitol Street
Jackson, MS 39269

RECEIVED

APR 05 2004

McFARLAND

Subject: STB Docket No. AB-868X, Mississippi Tennessee
Holdings, LLC – Abandonment Exemption – in Union,
Pontotoc and Chickasaw Counties, MS

Date: March 31, 2004

STB Docket No. AB-869X, Mississippi Tennessee Railroad,
LLC – Discontinuance of Service – in Union, Pontotoc and
Chickasaw Counties, MS

To: Section of Environmental Analysis
Surface Transportation Board
1925 K Street, N.W.
Washington, DC 20423

File Code: 390

Dear Sir or Madam:

Pursuant to your request, the Natural Resources Conservation Service (NRCS) has reviewed the Draft Environmental and Historic Report for Docket No. AB-868X and AB-869X. In particular, NRCS agrees with your findings as stated in Item 3 (ii) of the Environmental Report that the proposed abandonment and discontinuance will have no effect on prime agricultural lands. However, precaution should be used during removal of trackage from the rail line to insure that prime agricultural lands are not adversely affected.

NRCS has no objections to the abandonment and discontinuance of the rail line.

Sincerely,

Al Samer acting

Homer L. Wilkes
State Conservationist

cc: Thomas F. McFarland, P.C., Law Office, Chicago, IL
Kim Harris, Acting Planning Staff Leader, NRCS, Jackson, MS

APPENDIX 11

Newspaper Proof of Publication

Proof of Publication

State of Mississippi,
County of Union

PERSONALLY APPEARED before me, the undersigned, a notary public in and for UNION County

**NOTICE OF INTENT TO
ABANDON RAIL LINE AND
DISCONTINUE RAIL SERVICE
MISSISSIPPI TENNESSEE
HOLDINGS, LLC (Holdings) and
MISSISSIPPI TENNESSEE RAIL-
ROAD, LLC (Railroad) give notice
that on or about April 7, 2004 they
intend to file with the Surface
Transportation Board, Washington,
DC 20423, a Petition for Exemption
under 49 U.S.C. 10502 from the prior
approval requirements of 49 U.S.C.
10903 for Holdings to abandon, and
for Railroad to discontinue rail ser-
vice over, a 43.2-mile line of railroad
between Milepost 324.3 south of
New Albany (approximately 1/4-
mile south of Interstate Highway 78)
and Milepost 281.0 south of
Houston, in Union, Pontotoc and
Chickasaw Counties, Mississippi.
The subject rail line traverses
through the following communities
having the following United States
Postal Service ZIP Codes: Ecorse
(38841), Pontotoc (38863), Houlika
(38850), Algoma (38820) and
Houston (38831). The proceedings
have been docketed as STB Docket
No. AB-868X as to the proposed
exemption for abandonment by
Holdings, and STB Docket No. AB-
869X as to the proposed exemption
for discontinuance of rail service by
Railroad.**

Notary
My Co
Bonde

The Board's Section of
Environmental Analysis (SEA) will
generally prepare an Environmental
Assessment (EA), which will nor-
mally be available 60 days after the
filing of the petition for abandon-
ment exemption. Comments on envi-
ronmental and energy matters should
be filed no later than 30 days after the
EA becomes available to the public
and will be addressed in a Board
decision. Interested persons may
obtain a copy of the EA or make
inquiries regarding environmental
matters by writing to SEA, Surface
Transportation Board, Washington,
DC 20423 or by calling SEA at 202-
927-6211.

Appropriate offers of financial
assistance to continue rail service can
be filed with the Board. Requests for
environmental conditions, public use
conditions, or rail banking/trails use
also can be filed with the Board. An
original and 10 copies of any plead-
ing that raises matters other than
environmental issues (such as trails
use, public use, and offers of finan-
cial assistance) must be filed directly
with the Board's Office of the
Secretary, 1925 K Street, N.W.,
Washington, DC 20423 (See 49
C.F.R. 1104.1(a) and 1104.3(a)), and
one copy must be served on appli-
cants representative (See 49 C.F.R.
1104.12(a)). Questions regarding
offers of financial assistance, public
use or trails use may be directed to
the Board's Office of Congressional
and Public Services at 202-365-1592.
Copies of any comments or requests
for conditions should be served on
the applicants representative,
Thomas F. McFarland, Thomas F.
McFarland, P.C., 208 South LaSalle
Street, Suite 1890, Chicago, IL
60604-1112.

3-24-2004

Mississippi, the _____ of The New Albany Gazette, a
newspaper published in the City of New Albany, Union County, in said
state, who, being duly sworn, deposes and says that the NEW ALBANY
GAZETTE is a newspaper as defined and prescribed in Senate Bill No.
203 enacted at the regular session of the Mississippi Legislature of
1948, amending Section 1858, of the Mississippi Code of 1942, and
that the publication of a notice, of which the annexed is a copy, in

the matter of Cause No. _____

has been made in said newspaper _____ times consecutively,
to-wit:

On the 24th day of March, 2004

On the _____ day of _____, 20____

On the _____ day of _____, 20____

On the _____ day of _____, 20____

scribed before me, this

10th day of March, 2004

Notary Public

Title

above account.

THE NEW ALBANY GAZETTE

By _____

New Albany, Miss., _____, 20____

To THE NEW ALBANY GAZETTE Dr.

Re: Publishing _____

case of _____

Cause No. _____

Amt. Due \$ 52.68

PROOF OF PUBLICATION

STATE OF MISSISSIPPI
PONTOTOC COUNTY

Personally appeared before me, the undersigned Notary Public in and for the State and County aforesaid, Paul Sims who being duly sworn, states on oath that he was publisher of THE PONTOTOC PROGRESS, published at Pontotoc, Pontotoc County, Mississippi, at the time the attached:

Notice of Intent to Abandon
Rail Road

was published and that said notice was published in said paper 1

consecutive times, as follows:

Volume 76, Number 13, on the
31 day of March, 2004

Volume _____, Number _____, on the
_____ day of _____, 2004

Volume _____, Number _____, on the
_____ day of _____, 2004

Volume _____, Number _____, on the
_____ day of _____, 2004

Volume _____, Number _____, on the
_____ day of _____, 2004

Volume _____, Number _____, on the
_____ day of _____, 2004

Affiant further deposed and said that said newspaper, THE PONTOTOC PROGRESS, has been established for at least twelve months in Pontotoc County, State of Mississippi, next prior to the date of the first publication on the foregoing notice hereto attached, as required of newspapers publishing legal notices by Chapter 313 of the Acts of the Legislature at the State of Mississippi, enacted in regular session in the year 1935.

Paul Sims, Publisher

Sworn to and subscribed before me, this 31 day of
March, 2004

Printers fee \$ 53.64

Joyce Ann Brock Kelly
Notary Public

My Commission Expires on October 13, 2007

#1563

LEGAL NOTICE

NOTICE OF INTENT TO ABANDON RAIL LINE AND DISCONTINUE RAIL SERVICE
MISSISSIPPI TENNESSEE HOLDINGS, LLC (Holdings) and MISSISSIPPI TENNESSEE RAILROAD, LLC (Railroad) give notice that on or about April 7, 2004 they intend to file with the Surface Transportation Board, Washington, DC 20423, a Petition for Exemption under 49 U.S.C. 10502 from the prior approval requirements of 49 U.S.C. 10903 for Holdings to abandon, and for Railroad to discontinue rail service over, a 43.2 mile line of railroad between Milepost 324.3 south of New Albany (approximately 1/4-mile south of Interstate Highway 78) and Milepost 281.0 south of Houston, in Union, Pontotoc and Chickasaw Counties, Mississippi. The subject rail line traverses through the following communities having the following United States Postal Service ZIP Codes: Ecu (38841), Pontotoc (38863), Houka (38850), Algoma (38820) and Houston (38851). The proceedings have been docketed as STB Docket No. AB-868X as to the proposed exemption for abandonment by Holdings, and STB Docket No. AB-869X as to the proposed exemption for discontinuance of rail service by Railroad.
The Board's Section of Environmental Analysis (SEA) will generally prepare an Environmental Assessment (EA), which will normally be available 60 days after the filing of the petition for abandonment exemption. Comments on environmental and energy matters should be filed no later than 30 days after the EA becomes available to the public and will be addressed in a Board decision. Interested persons may obtain a copy of the EA or make inquiries regarding environmental matters by writing to SEA, Transportation Board, Washington, DC 20423 or by calling SEA at 202-927-6211.
Appropriate offers of financial assistance to

continue rail service can be filed with the Board. Requests for environmental conditions, public use conditions, or rail bank-ing/trails use also can be filed with the Board. An original and 10 copies of any pleading that raises matters other than environmental issues (such as trails use, public use, and offers of financial assistance) must be filed directly with the Board's Office of the Secretary, 1925 K Street, N.W., Washington, DC 20423 (See 49 C.F.R. 1104.1 (a) and 1104.3(a)), and one copy must be served on applicants' representative (See 49 C.F.R. 1104.12 (a)). Questions regarding offers of financial assistance, public use or trails use may be directed to the Board's Office of Congressional and Public Services at 202-565-1592. Copies of any comments or requests for conditions should be served on the applicants' representative: Thomas F. McFarland, Thomas F. McFarland, P.C., 208 South Lasalle Street, Suite 1890, Chicago, IL 60604-1112.
Publish: March 31, 2004

PROOF OF PUBLICATION

THE STATE OF MISSISSIPPI
COUNTY OF CHICKASAW.

Before the undersigned authority of said county and state, personally appeared Susan Collins-Smith, the clerk of a public newspaper published in the City of Houston, County of Chickasaw, State of Mississippi, called The Times-Post, who, being duly sworn, doth depose and say that the publication of the notice hereto affixed has been made in said paper for 1 consecutive weeks to-wit:

Vol. 98 No. 19, on the 24 day of March, 2004

Vol. ____ No. ____, on the ____ day of ____, 2004

Vol. ____ No. ____, on the ____ day of ____, 2004

Vol. ____ No. ____, on the ____ day of ____, 2004

Vol. ____ No. ____, on the ____ day of ____, 2004

Susan Collins-Smith

Legal Ad Clerk

Sworn to and subscribed to this the 24th day of March, 2004, before me the undersigned Notary Public of said County of Chickasaw.

By: Glen B. Dandy

Notary Public

MISSISSIPPI STATEWIDE NOTARY PUBLIC
MY COMMISSION EXPIRES OCT. 24, 2004
BONDED THRU STEGALL NOTARY SERVICE

Printer's Fee: 52.80

pd

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ABANDON RAIL LINE
AND DISCONTINUE RAIL SERVICE**

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3/24/2004

CERTIFICATE OF SERVICE

I hereby certify that on April 6, 2004, I served the foregoing document, Petition For Exemption From 49 U.S.C. § 10903 For Abandonment And Discontinuance Of Service, by first-class, U.S. mail, postage prepaid, on the following:

Mississippi Public Service Commission
Woolfolk Building
501 N. West Street
Jackson, MS 39201

AGRO
P.O. Box 589
Houston, MS 38851

MPI, Inc.
P.O. Box 408
Houston, MS 38851

Farmer's Marketing Association
550 Cruse Drive
Pontotoc, MS 38863

Chickasaw Farmers Mkt.
630 Church Street
Houston, MS 38851

Packaging Corp. of America
P.O. Box 1040
Ackerman, MS 39735

International Paper Corp.
P.O. Box 431
Houston, MS 38851

Union County, MS
P.O. Box 847
New Albany, MS 38652-0847

Chickasaw County, MS
101 North Jefferson Street
Houston, MS 38851-2513

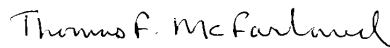
Pontotoc County, MS
P.O. Box 209
Pontotoc, MS 38863

City of Houston, MS
120 East Madison Street
Houston, MS 38851

City of Pontotoc, MS
Pontotoc City Hall
116 North Main St.
Pontotoc, MS 38863

Edward D. Greenberg
Galland, Kharasch, Greenberg,
Fellman & Swirsky, P.C.
Canal Square
1054 Thirty-First Street, N.W.
Washington, DC 20007-4492

Ware Milling
150 A F L Drive
Houston, MS 38851



Thomas F. McFarland